

**TRADE ENFORCEMENT AND INFRASTRUCTURE:
SAFEGUARDING OUR INDUSTRIAL BASE FROM
PRESENT AND FUTURE CHALLENGES**

HEARING

BEFORE THE

SUBCOMMITTEE ON INTERNATIONAL TRADE,
CUSTOMS, AND GLOBAL COMPETITIVENESS

OF THE

**COMMITTEE ON FINANCE
UNITED STATES SENATE**

ONE HUNDRED FIFTEENTH CONGRESS

SECOND SESSION

(MONACA, PA)

FEBRUARY 16, 2018



Printed for the use of the Committee on Finance

U.S. GOVERNMENT PUBLISHING OFFICE

COMMITTEE ON FINANCE

ORRIN G. HATCH, Utah, *Chairman*

CHUCK GRASSLEY, Iowa	RON WYDEN, Oregon
MIKE CRAPO, Idaho	DEBBIE STABENOW, Michigan
PAT ROBERTS, Kansas	MARIA CANTWELL, Washington
MICHAEL B. ENZI, Wyoming	BILL NELSON, Florida
JOHN CORNYN, Texas	ROBERT MENENDEZ, New Jersey
JOHN THUNE, South Dakota	THOMAS R. CARPER, Delaware
RICHARD BURR, North Carolina	BENJAMIN L. CARDIN, Maryland
JOHNNY ISAKSON, Georgia	SHERROD BROWN, Ohio
ROB PORTMAN, Ohio	MICHAEL F. BENNET, Colorado
PATRICK J. TOOMEY, Pennsylvania	ROBERT P. CASEY, JR., Pennsylvania
DEAN HELLER, Nevada	MARK R. WARNER, Virginia
TIM SCOTT, South Carolina	CLAIRE McCASKILL, Missouri
BILL CASSIDY, Louisiana	SHELDON WHITEHOUSE, Rhode Island

A. JAY KHOSLA, *Staff Director*

JOSHUA SHEINKMAN, *Democratic Staff Director*

SUBCOMMITTEE ON INTERNATIONAL TRADE,
CUSTOMS, AND GLOBAL COMPETITIVENESS

JOHN CORNYN, Texas, *Chairman*

CHUCK GRASSLEY, Iowa	ROBERT P. CASEY, JR., Pennsylvania
PAT ROBERTS, Kansas	DEBBIE STABENOW, Michigan
JOHNNY ISAKSON, Georgia	BILL NELSON, Florida
JOHN THUNE, South Dakota	CLAIRE McCASKILL, Missouri
DEAN HELLER, Nevada	BENJAMIN L. CARDIN, Maryland

CONTENTS

OPENING STATEMENTS

Casey, Hon. Robert P., Jr., a U.S. Senator from Pennsylvania	Page 1
Wyden, Hon. Ron, a U.S. Senator from Oregon	4

WITNESSES

Paul, Scott N., president, Alliance for American Manufacturing, Washington, DC	6
Galiano, Rick, president, Beaver Lawrence County Central Labor Council, New Castle, PA	9
Mitchell, Petra B., president and CEO, Catalyst Connection, Pittsburgh, PA ...	11
Young, Todd, managing director, government affairs, United States Steel Corporation, Pittsburgh, PA	12

ALPHABETICAL LISTING AND APPENDIX MATERIAL

Casey, Hon. Robert P., Jr.:	
Opening statement	1
Prepared statement	25
Galiano, Rick:	
Testimony	9
Prepared statement	26
Mitchell, Petra B.:	
Testimony	11
Prepared statement	28
Paul, Scott N.:	
Testimony	6
Prepared statement	31
Wyden, Hon. Ron:	
Opening statement	4
Young, Todd:	
Testimony	12
Prepared statement	37

**TRADE ENFORCEMENT AND
INFRASTRUCTURE: SAFEGUARDING
OUR INDUSTRIAL BASE FROM PRESENT
AND FUTURE CHALLENGES**

FRIDAY, FEBRUARY 16, 2018

U.S. SENATE,
SUBCOMMITTEE ON INTERNATIONAL TRADE,
CUSTOMS, AND GLOBAL COMPETITIVENESS,
COMMITTEE ON FINANCE,
Monaca, PA.

The subcommittee was convened, pursuant to notice, at 9:53 a.m., at the Learning Resource Center, Conference Room 103, Community College of Beaver County, Monaca, PA, Hon. Robert P. Casey, Jr. presiding.

Present: Senator Wyden.

Also present: Senator Casey's staff from Pittsburgh: Elizabeth Fishback, Regional Director; Jim Ferruchie, Regional Representative; Jordan Ball, Regional Representative; Jacklin Rhoads, Press Secretary; and Nico Starr, Special Assistant to the Senator. Senator Casey's staff from DC: Livia Shmavomian, Legislative Assistant; and Andrew Usyk, Legislative Assistant. Finance Committee staff: Jayme White, Chief Advisor for International Competitiveness and Innovation; Elissa Alben, Senior Trade and Competitiveness Counsel; Jewel Harper, Senior Deputy Clerk; and Susanna Segal, Deputy Clerk.

**OPENING STATEMENT OF HON. ROBERT P. CASEY, JR.,
A U.S. SENATOR FROM PENNSYLVANIA**

Senator CASEY. This hearing will come to order. This is the Subcommittee on International Trade, Customs, and Global Competitiveness of the United States Senate Committee on Finance. We are grateful that everyone is here. We are sorry that we are a few minutes late.

I am privileged to be joined by Senator Wyden from Oregon. He is the top Democrat, what they call in Washington the ranking member, of the Committee on Finance.

And we are late for a good reason. We just had a phone call that both of us will talk a little bit about.

But I want to make sure that we first and foremost thank the Community College of Beaver County. Dr. Reber, we are grateful you are with us today, and grateful to have the benefit of the report that you gave me about the work, the tremendous work, being

done here on a whole range of workforce issues and preparing for the future of Beaver County and southwestern Pennsylvania.

We don't have time to get too far into that today, but I think a lot of what we are talking about today on trade and especially infrastructure has relevance to those discussions about our workforce.

So, Doctor, thank you for having us here. We are grateful.

I want to thank our witnesses, whom I will be introducing in a moment before we get into their testimony.

We are here today to discuss what I view and what I think most Americans view as two of the most critical issues that relate to the competitiveness of our Nation—manufacturing and infrastructure—which have, of course, a substantial impact on jobs and wages.

I am honored to be joined by Senator Wyden, who came from Washington to be with us, but, as you know, he represents the State of Oregon and has worked for years on all these issues: trade issues, economics and jobs issues, manufacturing, infrastructure, and the like.

We know that steel overcapacity, as well as trade cheating and China's efforts to literally steal our future by stealing our companies, are some of the most fundamental trade challenges of our time because they directly impact Pennsylvania jobs and wages. I have said for years and I will say it again: when China cheats, Pennsylvania loses jobs. It is that simple. So we have to face that reality when we are confronting these issues.

China is going after America's competitive advantage by any means necessary. If China can't buy it or if China can't run it out of business, they usually steal it. Unfortunately, that is a harsh reality.

So you don't need to look far in our State to find companies and unions that have been hacked by the Chinese Government. Just talk to U.S. Steel, talk to Steelworkers, talk to other institutions in southwestern Pennsylvania that have been victims of these actions.

I went to the White House this past Tuesday to meet with the President in a bipartisan, bicameral group—both Houses of Congress, Senators and House members of both parties, including Senator Wyden, who was with us at that meeting—to discuss steel and aluminum principally, but to talk more generally about a number of these issues. At that meeting, I told the President how Pennsylvania companies have been hammered, and I use that verb purposefully, hammered by a surge in imports since the Commerce Department announced its section 232 investigation last April, which was focused on rising steel and aluminum imports and how they represent a threat to our national security.

I also heard from Senators telling the President to exercise caution. That is what a number of Republican Senators and House members were telling him. I have a different view, which we will get into later.

When the Commerce Department launched this investigation in April of last year, I along with steelworkers across Pennsylvania were hopeful that the Commerce Department would quickly complete their study and the President would take decisive action. And

then we waited, and we waited, and we waited. Through the spring and the summer, rumors were swirling, but still, steel imports were surging.

The Commerce Department seemed ready to transmit the report by the end of the summer, and then the President told *The Wall Street Journal* in July that he did not intend to move forward on a final determination on the steel section 232 case until “everything finished up between health care and taxes and maybe even infrastructure.” So said the President at that time.

Meanwhile, we watched imports rise for the first 11 months of 2017. Total steel and finished steel imports were up 17.5 percent and 14.6 percent, respectively, from the same period in 2016. So total steel basically up 18 percent, imports up, and finished steel imports up basically 15 percent in that time period.

Imports of electrical steel, which many of you know is the steel used to ensure that we have an electricity grid—which is another infrastructure issue that we are going to be dealing with—imports of that kind of steel, electrical steel, have more than doubled from 2016 to 2017.

Pipe and tube surged 82 percent from 2016 to 2017. So electrical steel up 100 percent, and pipe and tube up 82 percent.

The Commerce Department had 270 days to transmit the report to the President. They submitted it just shy of that by a few days. The President now has 90 days—actually, now it is 60, because it was almost a month ago, so, basically, 60 days to make a determination.

Now, when you have these meetings, you do not have 25 minutes to make your point. You have to make it in about 2 minutes. So my point was to raise the issue with the President on 232, because the discussion started to meander off into other issues, and I wanted to keep it focused on these issues. I made two basic points to the President. One was that number on electrical steel, to remind him about that, and two, to ask him to make a determination not using the whole 90 days. I wanted him to bring a sense of urgency to this issue right now. And he listened, listened to our pleas, and I hope will make a decision.

So why were we a few minutes late? Well, Senator Wyden just got a call from Commerce Secretary Wilbur Ross. They obviously talk on a regular basis, but I thought it was particularly opportune that this hearing was supposed to start at 9:45, and, all of a sudden, we got a call at 9:40 from the Commerce Secretary about this issue. Senator Wyden can tell us more. But apparently, there is going to be a press conference or a press call at 10:30, which is good news. That means that, somehow, between the meeting the other day and today’s hearing, we have gotten some people’s attention. I will leave it at that for now.

Let me go back to China and then wrap up.

I said earlier we cannot allow China to steal our future. That is not drama and hyperbole. That is the truth. If we allow them to continue on the pathway they have been on, they will steal our future. Actions matter, and the actions we take today must be directed at long-term outcomes we want for our children and our grandchildren. This means an economy that creates opportunities

for all Americans and a system that creates a fair environment for our workers to find jobs that pay family-sustaining wages.

This also means investing in our roads and bridges, schools, locks and dams, which are so important to commerce here in southwestern Pennsylvania, and, of course, our electricity grid. And I did not mention broadband, and we could go down a longer list. You get it. Infrastructure matters. It is about our security. It is about our safety. And it is about our jobs.

So this means putting real Federal dollars behind infrastructure that is fundamental to our combined competitiveness. I am never opposed to public-private partnerships or other ideas to finance infrastructure, but we have to have significant Federal dollars. I believe you can do infrastructure one of two ways. You can do it the corporate way, which is not the way to do it, or you can do it the American way.

I want an American infrastructure bill. It means we are all in this together. We are all one American family. We ought to put public dollars in, and big dollars, to really make a difference and create jobs. So this means making sure that the inputs to that infrastructure are made in America.

I think both parties agree on that, and I am grateful that Senator Wyden is here today to make these points and to discuss these critical matters for the economy of Pennsylvania and jobs in Pennsylvania, as well as American jobs and American competitiveness.

So I am happy to turn the microphone over to Senator Ron Wyden, the ranking member of the Committee on Finance. And I hope—this is just my hope; I am not allowed to say more than this—I hope a year from now, he will be the chairman of the most important committee in the United States Senate when it comes to our economy.

[The prepared statement of Senator Casey appears in the appendix.]

Senator CASEY. Senator Wyden?

**OPENING STATEMENT OF HON. RON WYDEN,
A U.S. SENATOR FROM OREGON**

Senator WYDEN. Thank you, Senator Casey. I do not want to make this a bouquet-tossing contest, but I want to note that Senator Casey's hearing could not be more timely. Sometimes in the Congress you hear about a hearing on such and such subject, and everybody says, well, we will come back in a couple years and see if anything is going on. With respect to Senator Casey's hearing, we just heard from Secretary Ross indicating that here in maybe 20 minutes or so the country is finally going to be told what are going to be the options to protect American jobs, protect American industries. And particularly in our case—and I heard Senator Casey talk about this at the White House—is the need to try to make sure that we actually use all the tools to keep foreign companies from making an end-run around our trade laws.

And what we have done over the years—and Senator Casey and I have been a team, with several colleagues—is we have put in place a variety of new tools to deal with how these countries rip us off with, for example, dumping practices and subsidy practices and the like.

But as Senator Casey noted at the White House, these tools haven't always been used. And to sum it up, what we want is trade done right, and that means using all the tools and using them in a timely way.

Now, as Senator Casey mentioned, if you look at this past year, what you have to say is, by some measures, steelworkers are actually worse off than they were a year ago, because there was a lot of tough talk early on that led to a surge in steel imports, and so a lot of struggling steel communities were wondering what was next.

I think what we learned in this call this morning from the Secretary, from Secretary Ross, is, as a result of this kind of effort, and with Senators like Bob Casey weighing in as they have, this administration is finally realizing they had better act sooner rather than later. That is how I would sum it up.

And here in 20 minutes, we will get an inkling of what the major recommendations are with respect to both steel and aluminum. Of course, the President has legal authority to set all of them aside. He does not have to do any of them. But we will finally get this long-overdue report that we wanted, in some sense. A number of us said at the White House that, to make thoughtful recommendations about matters like the 232 law, you have to have the report. We have been pulling and prying and pushing to get it out, and now, finally, it is getting out.

One last point, and then, like Senator Casey, I want to hear from all of you.

When I talk about using all the tools in the toolbox, you cannot afford, in a time like this, to pass up opportunities. I will close with a point with respect to infrastructure. We all understand that for big-league economic growth, you cannot have little-league infrastructure. So when the infrastructure plan came out this week, I just kind of rushed through it to see what was going to be in it to talk about using more American steel and more American goods and services. There is essentially nothing there, no mention of Buy America, vital to American steel.

By the way, the plan actually gives the States the ability to walk back current law with respect to using American steel and American products.

So Senator Casey and I feel really strongly that in this battle to deal with global competition, we feel we can beat the pants off everybody as long as our government uses the tools that it has at its disposal.

So we are anxious to hear from all of you. One of the few benefits of seniority is you can give all the difficult questions to Senator Casey and anything easy to me.

It is nice to be here. Thank you for inviting me, Senator Casey.

Senator CASEY. Senator Wyden, thanks very much. We are grateful you are here. We have lots to talk about.

Let me introduce our witnesses, who have been in their seats for a good while. So I will do a brief introduction, but I don't want to skip over it. Many of you know these witnesses already, either personally or by way of their work.

Scott Paul is president of the Alliance for American Manufacturing, which is a partnership established in 2007—I can't believe

it is that long now—by some of America’s leading manufacturers and the United Steelworkers Union. Scott currently serves as the board chair of the National Skills Coalition and is on the board of visitors of the Political Science Department at Penn State, his alma mater. Scott also has an M.A. in security studies from Georgetown University School of Foreign Service.

Scott, welcome.

I will do all our introductions, and then we will go to the testimony after that.

Petra Mitchell, in the third chair, obviously, is president and CEO of Catalyst Connection, a private, nonprofit economic development organization dedicated to helping manufacturers grow their businesses and create new jobs. She currently serves on the board of directors of the Advanced Robotics and Manufacturing Institute, Leadership Pittsburgh, and Pennsylvania Industrial Resource Center Network, the so-called IRC Network. Petra received numerous honors for her leadership, including being named one of the 2016 most-admired CEOs in Pittsburgh by the *Pittsburgh Business Times*.

I have known Petra for years. Petra, thank you for being here with us.

Rick Galiano is the president of the Beaver Lawrence County Central Labor Council and a representative for the United Steelworkers. Before his career in the Steelworkers Union, Rick worked at the TMK IPSCO Koppel steel facility. He is a graduate of Lawrence County Vo-Tech School in New Castle in Lawrence County.

Rick sits on the Lawrence County United Way board and is a member of the Lawrence County Drug and Alcohol Commission. He lives with his wife of 40 years, Maryann, in New Castle.

Rick, thank you for being with us, and thanks for all that work you do on a lot of issues.

Todd Young serves as the managing director of government affairs for the United States Steel Corporation, reporting to the president and chief executive officer, David Burritt. Todd manages U.S. Steel’s Federal, State, and local government affairs.

Todd, thank you.

Scott, why don’t we start with you? And we will try, if you can, to keep it to 5 minutes, because we want to get to as many questions as possible.

STATEMENT OF SCOTT N. PAUL, PRESIDENT, ALLIANCE FOR AMERICAN MANUFACTURING, WASHINGTON, DC

Mr. PAUL. Certainly, Senator Casey. Thank you so much for hosting this hearing in western Pennsylvania, which, in many ways, was America’s foundry for so many generations. And, Senator Wyden, thank you for venturing here as well. I want to commend both of you for your leadership, your work on manufacturing, trade, and infrastructure issues.

I especially want to commend the role that you played just earlier this week at the White House. I thought that the feedback that you delivered to the President obviously was heard. I know that Senator Wyden said, “Let’s see these reports,” and, 3 days later, we had them.

And, Senator Casey, you mentioned, as you said in your opening statement, what the consequences of this delay have been, which are very real. In addition to the imports that we have seen increase, it is stunning that at a time when you have seen modestly positive economic growth, overall the steel industry is struggling. That does not make any sense. And you can only draw a correlation to the rise in imports, which you can clearly attribute to companies and countries trying to game the system and get in before any relief is provided.

So I will be eagerly awaiting the recommendations of those reports as well. But I want to commend both of you on your leadership. And I hate to refer people to Twitter a lot, but I thought, Senator Casey, you had some especially poignant thoughts after the meeting at the White House about what the impact of this has been for Pennsylvania that are worth pointing out to the audience.

I want to say that trade has traditionally been a very bipartisan issue that impacts red States, blue States, every State. And in that vein, I was excited to serve on the President's manufacturing jobs initiative. I had hoped, at the beginning of it, that there would be a robust role on it for trade. That did not occur. Instead, we were not able to accomplish much of anything.

I was also—as I think a number of us from industrial States were—hopeful based on some of the President's rhetoric with respect to trade enforcement and very specific commitments that he made, that we would see a substantial amount of progress. The way I would characterize it to this point is, we have seen a lot of trains that have left the station, but none of them has arrived, and a couple of them have been derailed. We need to get them on track for America, and for American workers in particular.

I have a lot of content in my written remarks, and I won't bother repeating that, but I just wanted to focus on a couple principles in the time that I have. I think you both recognize that, for too long, trade enforcement has been viewed as an appendage of our trade policy rather than a core of it, and that has had extraordinary consequences.

We have seen a rising trade deficit with China that reached a record \$375 billion in goods last year. You have seen countries that feel like they have a blank check to dump, to subsidize, to engage in market-distorting practices, intellectual property theft. And while you have seen enforcement in past administrations, it is hard to make the argument that it was central to their trade strategy. Oftentimes, it was designed to deliver votes on something else or, in the case of Reagan, Congress wanted to take much stronger action than he did. George Bush saw a political opportunity in West Virginia by offering some relief for steel. But you haven't seen it at the core of an administration's trade policy.

I think you understand that, and that is something that we encourage this administration to pursue as well. And I am going to return to that in a second, because there certainly has been a real disconnect and a real division in our country on economic lines, on what is happening with respect to manufacturing, on the outlook for trade, that I think has been colored by this fact that trade enforcement has not been a central part of America's economic philosophy for a very long time.

Second, I want to expand on this idea that the President's promises and the lack of follow-through so far have had some real consequences, because I think they have.

You pointed out, Senator Casey, the 232 announcements, the rhetoric, and then the lack of follow-through that has occurred so far. And you have seen in Conshohocken some layoffs announced, in Steelton at Dura-Bond. We have seen a steel mill in Kentucky that has closed down. You have seen challenges in the aluminum industry as well.

To add to your data on surging imports, in oil country, tubular goods, which are a specific high-margin product for the steel industry, one that is very essential to the energy infrastructure, you have seen a 200-percent increase in imports just from 2016 to 2017.

Just yesterday, at a major energy project in Texas, the Gulf Coast Express Pipeline Project, the funders of that project announced that more than half of the pipe would be coming from Turkey as opposed to American producers. And we know that Turkish steel is often dumped and subsidized. So this raises, to me, real questions about another commitment that the President made, and that was that we would have American-made pipelines.

There was a memorandum signed with great fanfare a year ago at the White House, and there has been no palpable follow-through that I have seen with respect to that.

I also want to say that I commend the role that both of you have played in trade enforcement and the improvements that we have seen in the law in the last couple years. They have had real, tangible, and helpful impacts that I am happy to expand upon in Q&A, if we should arrive at that, but they have made a real difference for American industry and for American workers.

I will say a word about infrastructure, and then I will close with a thought back on trade expansion.

So all of the trade actions in the world will not make a difference if we do not have a robust public investment to increase demand in this country. We have fallen behind. It obviously has an impact for commuters. It has serious impacts for manufacturing with respect to logistics, competitiveness when it comes to global trade, and for attracting both talent and moving materials and people back and forth.

And by infrastructure, I speak very broadly, I think like you do, that we need everything from our broadband, our energy grid, to our bridges, our roads—we need a serious upgrade.

I share your belief that this has to be public investment. We are not opposed to public-private partnerships. We also see the strong benefits of ensuring that it is made with American-made iron and steel. That is how we built the most magnificent achievements in our country, and there is really no reason to think that we cannot do it now other than some vague, philosophical objections and maybe perhaps some envy that other nations may have.

I want to end on a very wonky note, but one that I think resonates today, and that goes back to the underlying legislation of section 232, which no one I think had focused on a lot before the President said he was going to take this action. It was part of the Trade Expansion Act of 1962, which was perhaps the biggest legislative achievement of that Congress, pushed by President Kennedy.

It is notable that, at the signing ceremony of the act, George Meany, the president of the AFL-CIO, was there supporting a bill that dramatically cut tariffs on products, gave the President broad authority to do that. But embedded in that legislation were a number of trade enforcement tools, including section 232.

The fact that over the years you have seen that trade expansion and tariff authority take off and you have seen free-trade agreements, where you have seen the real sporadic enforcement of trade laws like through section 232, speaks to kind of the situation we are in where our politics have become more radicalized, our communities have become less hopeful. In a way, there is an eroded sense of trust in the government's ability to respond to problems. And part of it is precisely because we have not exercised these trade enforcement tools.

I think that needs to be a central part of our trade agenda as we move forward.

I want to commend the role that, Senator Wyden, you have played in the past, and Senator Casey as well, both with the ENFORCE Act and the Leveling the Playing Field Act. I look forward to working with you in the future on that.

Thanks so much.

[The prepared statement of Mr. Paul appears in the appendix.]

Senator CASEY. Scott, thanks so much for your testimony and for that perspective from history as well.

Rick Galiano.

STATEMENT OF RICK GALIANO, PRESIDENT, BEAVER LAWRENCE COUNTY CENTRAL LABOR COUNCIL, NEW CASTLE, PA

Mr. GALIANO. Good morning. Mr. Chairman, members of the caucus, it is an honor for me to speak at this field hearing on the trade enforcement infrastructure.

My testimony to you is straightforward. I try to do everything in my power to improve the livelihood of our union brothers and sisters, our communities, and our country. I would like Congress and the administration to also do the same.

My concern is that the tools our country has to defend its manufacturing base and move it further into the new era need to be improved, but much more must be done. Since Congress passed the Leveling the Playing Field Act and the ENFORCE Act, a slew of trade enforcement cases followed.

Our union sees the day-to-day results when a worker gets a job back and their hours are increased. I also see the potential. We have to do more. Restoring fair play and ensuring that we have a fair chance to compete internationally is all we ask.

For example, since USW successfully brought forward trade cases on the passenger vehicle and light truck tires from China and off-road tires from India, close to \$3 billion have been invested in U.S. tire plant expansions and factories. Seven thousand, two hundred union workers at Goodyear reached a 5-year agreement with wage improvements and extension of plant protection guarantees where no USW plants will close during the term of the agreement.

To the doubters of the value of trade enforcement, I dare them to look at those workers in the face and tell them they are not worth protecting.

I wish I could say there is a similarly positive outcome in the steel industry as in the tire industry. Since the passage of the Leveling the Playing Field Act, 67 new tariffs against multiple countries have been put in effect on steel.

While these trade enforcement acts have slowed the tide of the illegal imports, too many of the 19,000 steelworkers who have been laid off since 2015 are still waiting for idled and underutilized facilities across the country to restart.

And let's remember, trade cases are simply about addressing unfair foreign trade as agreed upon in international rules. We were not asking for anything that the law was not designed to provide. USW has been cautiously optimistic about the chance for unilateral relief through implementation of section 232 steel and aluminum investigations currently in President Trump's hands.

When President Trump and administration officials pledged to unveil the findings of the section 232 investigations by July 1st of 2017, we were hopeful at first and left wondering the day after. The USW firmly believes that our Nation's military and critical infrastructure needs are essential to our national security.

By delaying the 232, the foreign steel industry saw an opening. While the U.S. has shipped more steel this year, the finished steel import market share was 27 percent for the full year of 2017. Total and finished steel imports are up 15.4 percent and 12.2 percent, respectively.

The economy has grown, but the U.S. steel industry continues to fight because of foreign steel products. Most of the growth in our market is going to imports, not to our steel mills and our steelworkers.

Our trade laws need to reflect a more globally connected world and the potential for abuse of bad actors. Modern steelworkers in this country can make 1.9 tons of steel per man-hour. I want our country's trade laws to be more efficient and effective.

You asked me to speak on infrastructure, and no amount of trade enforcement will matter if we cannot get our goods from coast-to-coast. The Finance Committee has the potential not to just upgrade our trade laws but also seek the path to renew our Nation's infrastructure.

It is simple. If I paid half my mortgage payments, I would lose my home. Yet this country is paying only half of America's infrastructure bill, leaving an investment gap and commuters stuck in gridlocked traffic.

Please think about this. Eighty-eight million citizens in urban and rural America lack affordable broadband access. One out of 5 miles of highway pavement is in poor condition.

I do not know all the solutions to these problems, but just like every USW member, I am willing to roll up my sleeves and fix these problems. We need to ensure that our tax dollars are used to maximize the economic benefit and domestic policies, like Buy America.

In closing, I know that with a strong trade enforcement strategy combined with a concerted effort to renew our infrastructure, we can create a better America.

Thank you for your time.

[The prepared statement of Mr. Galiano appears in the appendix.]

Senator CASEY. Rick, thanks very much. I was noting that one number you had there on, I guess it was page 4. A modern steelworker can make 1.9 tons of steel per man-hour. That is a good number to remember.

Petra Mitchell.

**STATEMENT OF PETRA B. MITCHELL, PRESIDENT AND CEO,
CATALYST CONNECTION, PITTSBURGH, PA**

Ms. MITCHELL. Good morning. Senator Casey, Senator Wyden, welcome to southwestern Pennsylvania, and thank you for having me here today.

This morning, I would like to address our Nation's supply chain, which is made up of small and medium-sized manufacturers that serve many sectors including our infrastructure, metals, advanced materials, DOD, and our national security sectors.

At Catalyst Connection, we are dedicated to serving these companies. We provide technical assistance, management consulting, and workforce development, such that, when individual companies grow and succeed, collectively they impact the region's economy and our Nation's supply chains.

To enable us to do our work, we are funded, in part, by the Manufacturing Extension Partnership, or MEP program, and the Industrial Resource Center program here in Pennsylvania, which was started by Governor Robert Casey, Senator Casey's father, and was a model for the national program. So I feel this was very, very insightful on Governor Casey's part to start this program.

I would like to provide you with a brief overview of the MEP program and then some of the challenges that our small and medium-sized manufacturers are facing, and the role that the MEP program and Catalyst Connection are playing in helping to address those challenges.

And, Senator Wyden, I liked your term of using the tools in the toolbox. I would like to suggest that MEP is a critical tool in that toolbox.

The MEP program is the only Federal program dedicated to serving our country's small manufacturers. These companies make up 99 percent of all manufacturing establishments. Last year, we served 26,000 companies across the United States. Many of these firms are often overlooked by larger for-profit firms because the cost of sales can be high, and the typical project size is low. The impact of the work, however, is very high.

The MEP program delivers \$8.70 for every dollar of Federal funding invested. This is according to the Upjohn Institute. MEP clients themselves reported over \$12 billion of new and retained sales and the creation or retention of over 100,000 jobs just in the last year. Considering that the average manufacturing worker earns over \$80,000, MEP centers are economic drivers in their communities.

Fortunately, the MEP program has been reauthorized by Congress through the American Innovation and Competitiveness Act. Unfortunately, the President's budget once again eliminates the program.

Catalyst Connection clients have contributed to the national program results just mentioned. Companies that work with us are hiring, growing, and adding jobs, but we need to do more. Sadly, manufacturing employment in our region has decreased by almost 5 percent in the last 5 years even though output and productivity are growing. We believe that a majority of the job losses are from larger firms or plant closures at some larger firms. But the growth in jobs among small and medium-sized manufacturers is just not enough to make up for those losses.

To reverse these trends, companies must accelerate their pace of growth greater than any productivity gains they need to remain competitive in a global economy. They have to invest in new products, automation and robotics, and in their people. And this is a big challenge.

While many companies are growing and interested in hiring, the skills gap in manufacturing is another significant challenge. According to a Deloitte report, the skills gap may result in 2 million manufacturing jobs going unfilled.

Manufacturing CEOs are looking for help, and the MEP program can provide it. Our services and operational improvements, business growth and innovation, exporting, and training create the foundation for the adoption of new and advanced manufacturing technologies, and for upscaling of workers.

So I would urge you to continue your support for policies that favor small businesses and for the MEP program, to continue to support small and medium-sized manufacturers that provide high-paying, family-sustaining jobs.

And I would just like to share that I am personally the beneficiary of one of those jobs where my father worked in manufacturing and, even as an immigrant, was able to provide me with a very comfortable childhood and a college education. I would like to see many more of our friends and neighbors have similar experiences. And I feel that, with your support, that is definitely achievable.

Thank you.

[The prepared statement of Ms. Mitchell appears in the appendix.]

Senator CASEY. Petra, thanks very much.

Todd Young.

STATEMENT OF TODD YOUNG, MANAGING DIRECTOR, GOVERNMENT AFFAIRS, UNITED STATES STEEL CORPORATION, PITTSBURGH, PA

Mr. YOUNG. Thank you, Senator, for conducting today's hearing in western Pennsylvania and for inviting testimony from the United States Steel Corporation, which is proudly headquartered here in Pittsburgh. Senator Casey, your leadership in convening the hearing is very much appreciated, because both trade law enforcement and improving America's infrastructure are public policy priorities for America's steelmakers.

U.S. Steel was founded in 1901. It is the largest integrated steel producer headquartered in the U.S. with domestic annual raw steelmaking capability of 17 million net tons. Our major domestic steel operations are located in Indiana, Michigan, Illinois, and right here in Pennsylvania at our Mon Valley Works. Our tubular operations are located in Alabama, Ohio, Arkansas, and Texas. And our two Minnesota mining operations supply iron ore pellets to all of our steel-making operations.

U.S. Steel Corporation manufactures semi-finished steel as well as a wide range of value-added flat role and tubular products for the automotive, appliance, container, industrial machinery, construction, and oil and gas industries. When it comes to trade enforcement, over the past several years, America's steel companies and workers have been challenged by significant, persistent, unfairly traded imports flooding our markets from overseas. Steel at dumped prices and subsidized by foreign governments targets America's open markets.

As a result, many American steelmaking facilities, including those of U.S. Steel, have been forced to shut down temporarily or even permanently, causing thousands of job losses.

American steel companies can compete and win against anyone on a level playing field, yet that requires fair enforcement of our trade laws and strong, prompt action by the Federal Government. We commend Congress on passing the 2015 Leveling the Playing Field Act, which significantly strengthened U.S. trade remedy law by clarifying the injury standard for the International Trade Commission and antidumping and countervailing duty, or AD/CVD cases, and providing the Commerce Department with the additional tools to address dumped and subsidized imports. This was the result of forceful bipartisan leadership by steel champions in both the House and the Senate.

Just months later, the Enforce and Protect Act was passed. This law provided U.S. Customs with new tools and directives to aggressively enforce U.S. trade remedy orders and crack down on duty evasion and Customs fraud. It was critical that this second law followed as AD/CVD orders only level the playing field if they are strictly and effectively enforced.

Senator Casey and Senator Wyden, thank you for your roles in enacting these stronger trade rules.

U.S. Steel and other domestic producers moved swiftly in the summer of 2015 to utilize these new laws by filing a series of new AD/CVD petitions on a flood of unfairly traded imports of hot-rolled, cold-rolled, and corrosion-resistant steel from 12 countries. As a result of these cases and due to the new laws, 28 new AD/CVD orders were obtained on 11 countries, providing U.S. Steel Corporation and American producers with critical relief.

Though these recent flat-rolled duty orders stemmed the tide of unfairly traded imports from the targeted countries, an all too familiar story unfolded. Low-priced imports surged in from other countries.

For example, imports of cold-rolled and corrosion-resistant steel from Vietnam replaced imports from China nearly ton for ton. As a result, U.S. producers filed circumvention petitions with the Commerce Department in September 2016. Last December, the De-

partment issued a preliminary affirmative finding that imports of Chinese steel finished in Vietnam should be covered by the same AD/CVD orders on imports from China. This decision should put other countries and other foreign producers on notice that circumvention will no longer be tolerated.

Another egregious situation is imports of oil country tubular goods, or OCTG, particularly from Korea. In 2014, we obtained AD/CVD orders on Korean OCTG and, in the years since, have obtained higher and higher antidumping rates in each administrative review.

However, dumped OCTG imports from Korea have continued to surge into the United States. As was noted earlier, total OCTG imports reached a nearly 200-percent increase in 2017 over 2016. Korea has no domestic use for OCTG products.

Our Nation must not tolerate these trade tactics to continue. We need American-made steel products to harness our abundant natural resources so we are truly able to achieve American energy security and independence.

Of particular significance at this moment is the section 232 investigation that was discussed earlier. I will simply say that, if the Senator would like to hold a hearing every day between now and April 11th when the 90 days is up, we may get a decision much, much sooner.

From U.S. Steel's perspective, we urge a strong, broad action under section 232 on imports that are threatening our national and economic security. The threat posed to America's steelmaking capacity by the unrelenting and growing barrage of imports merits aggressive action by President Trump. An effective section 232 remedy must be comprehensive and broad-based, covering all producing countries and the full range of steel products, including semi-finished products, with only limited exceptions for products that are not currently available from a U.S. maker.

We are encouraged by Tuesday's meeting at the White House, by the advocacy from members of Congress, as well as the President's own remarks. We are optimistic that a section 232 action will come soon.

On the hearing's second topic, investment in infrastructure, this is both a necessity and an opportunity for a steelmaker. We depend on an efficient, reliable transportation system to move millions of tons of raw materials and finished product, and the long-term investment to improve infrastructure creates direct demand for steel and fosters broad economic growth and job creation, which further drive steel demand. As the infrastructure discussion advances, we encourage you to focus on three priorities.

Increased long-term investment is essential to undertaking large-scale projects, those that consume steel.

Project streamlining is also critical. It will responsibly condense the permitting process to lower costs and deliver projects sooner.

And as has been discussed, the third priority is maintaining the commitment to the longstanding Buy America principal that the iron and steel that is purchased with taxpayer dollars, the iron and steel that is used to rebuild our Nation's infrastructure, should be produced, both melted and poured, here in the United States. That

is a principle that must be maintained as the infrastructure debate continues in the United States Congress.

Senator Casey, thank you again for your leadership in convening this hearing and the opportunity to provide perspective to the Senate on priorities of fundamental importance to U.S. Steel and our country. We stand ready to support and assist your important work.

[The prepared statement of Mr. Young appears in the appendix.]

Senator CASEY. Todd, thanks very much.

I want to thank our panel for their testimony. Now we will go to questions. We will just alternate. Senator Wyden and I will alternate. He has both seniority and rank over me, so there might be a time when he gets two questions. I can't control that. I want you to know that up front.

Let me start with the reality of where we have been the last year with regard to the President. The fact that Secretary Ross has this press conference, which might be underway now, or press call, and the fact that he called Senator Wyden and is announcing something today, that is fine. That is positive, I guess, when you have the Commerce Secretary engaged, as he has been, and I have spent some time talking to him. But we need to hear from the President of the United States. I cannot say it more plainly than that.

All of us can talk about it, and he can make reports and all that, but the central person here in terms of making this determination on 232 as well as other issues is the President of the United States. The President has talked a lot about taking action, but so far, we have not seen it. What we need is action that will lead to concrete, positive results for both U.S. companies like U.S. Steel as well as United States workers.

So I guess the first question I have is—I will direct it to both Scott and Todd, and anyone else who wants to weigh in—can you tell us what happened to imports of subsidized steel following the passage of the Leveling the Playing Field Act and how U.S. industries responded?

Scott, do you want to start?

Mr. PAUL. Sure, I will briefly.

Like you, Senator, Todd has seniority over me. He serves on our board. So I will leave him to hit cleanup on this.

But I will just say, with some of the data you have articulated already, you saw an otherwise hard-to-explain spike in steel imports, especially considering there had been some dumping orders in place, and you can only attribute that to what I would call gaming the system, where you have raised expectations that there will be limitations to market access. Importers and countries respond to that by surging the market with goods. That relief never came.

And you have heard various data points here, both very high import penetration to the U.S. market, 27 percent; an increase overall in steel imports of at least 15 percent; and obviously, in some items like OCTG, up to 197 percent.

In an environment where there should be expansion in hiring at local mills, in some cases, you have seen layoffs, as in Conshohocken at ArcelorMittal, which makes military-grade steel, one of the few producers that does that.

So it has had real and palpable consequences, and I would echo what Todd Young said, which is, we need a decision tomorrow on this. We have had 270-some days almost, more than that now, of deliberation, and it is time to act.

Senator CASEY. And the gap between the commencement of investigations and the final determination by the President, the reason why that gap of 270-plus days is important is because, in that period, you had this import surge of players in the marketplace taking advantage of that time gap. That is why the promptness or the urgency is critical.

Todd, do you have something to add on this?

Mr. YOUNG. Briefly, I would like to add, as I referenced in the testimony, soon after the enactment of the acts—it could be measured in weeks and days—the industry launched these three new cases on flat-rolled products, successfully pursued those with the assistance of the new laws, and relief was gained. Twenty sixteen was much better than 2015.

The challenge, though, is what is often referred to as the Whac-A-Mole problem. You address unfair imports from certain countries only to now see them enter from another country. In 2017, as has been noted, almost every statistic shows an increase of imports over the prior year. Overall steel imports are up 15 percent, 2017 over 2016. There is a growing problem.

Part of the reason why we were very optimistic about the potential of section 232 is, you are dusting off a tool that has not been utilized for some time, and, importantly, it grants broad authority to the President to take comprehensive action to address this problem. Some of these problems, as I said, are popping up as a result of a recent case. Some of them are intractable challenges that, no matter what tool industry has sought to use, it has not stopped the unfair trade.

That is why we are optimistic that a 232 decision can address some of these challenges—instituted broadly and across products and countries and for a sufficient time for the industry to stabilize, to invest in itself, and to strengthen our base here in the United States, so that we can provide not only for our national security but our broader economic security.

Senator CASEY. Todd, I think it is significant what you said just now and also what you said in your testimony. You are talking about acts of Congress—the Leveling the Playing Field Act and the ENFORCE Act, which Senator Wyden played such a leading role in—acts passed by Congress actually having a positive impact on this issue. And if we can couple those acts and the tools therein with actions by the President, we can make real progress.

I will make two points before I turn it over to Senator Wyden. I worry sometimes that the audience who might listen to this later might not have a real sense of what we are talking about when we say “232.” Just so they know, Scott mentioned the 1962 legislation President Kennedy signed. Here is the basic 232 focus. This review that has been undertaken by the administration, announced all those days ago, focuses on one thing: whether imports adversely affect, number one, U.S. national security, so whether an import from another country, an unfair advantage, is adversely impacting

our national security, that is one, and could result in trade restrictions on imports.

So that is what the President's determination will focus on, and I cannot think of a more urgent issue than our own national security, as well as our economic security.

So I am going to turn it over to Senator Wyden.

Senator WYDEN. Senator Casey, I am going to pick up right where you left off, because I think now we are going to kind of try to wrap up what we think the problems are and then go to kind of the remedies.

In your view, Mr. Young, what as of today are the most significant trade violations affecting you as a U.S. manufacturer and, obviously, your workers?

Mr. YOUNG. I discussed several of them in the testimony, but to sort of summarize them: one, there is the fundamentally unfair imports that are dumped below the cost of production in the U.S., which certainly threatens our ability to compete fairly. There is also the challenge of foreign governments that are subsidizing those products into the United States. Often, these are addressed through our antidumping/countervailing duty portion of the law.

When that portion of the law is successfully pursued, then we have a question of enforcement. Is it now going to come in from another country? Is Chinese steel going to Vietnam and then coming into the United States? A recent decision by the Commerce Department seeks to address that.

We also have a situation where there is a question as to whether there is simply fraud involved with the payment of Customs duties. We have a host of these problems when it comes to Korean OCTG in general.

So I would say there are just fundamental unfair imports, and then there is the cheating to get around when our laws put a duty in place to protect us.

It was referenced earlier, we at U.S. Steel have also been attacked by a cyberspace attack where we were one of several Pittsburgh institutions targeted by the Chinese military for our intellectual property. We have spoken about this publicly. We cooperated with the Department of Justice here in western Pennsylvania when they succeeded in pursuing indictments against these Chinese military leaders.

So we see an array of challenges. Like we said, the improvements in the law have helped us fight back against those. The challenge is that, oftentimes, they breed new attacks and new avenues of unfair trade. The other side is not resting in their efforts.

Senator WYDEN. You are so right about the other side not resting, and I am going to get into that here in a moment with respect to one of the more imaginative ways in which they cheat, because, as you know, the gentleman behind me ran a sting operation. We set up a dummy website that was designed solely to try to catch trade cheats and invite people from around the world to essentially be in touch with the dummy website, and we were flooded. So we are going to talk about that, I think on my second round, in terms of merchandise laundering, as we came to describe it.

But I think what you said—I want to make sure, because it highlights Senator Casey's point about how valuable 232 is—is that

that begins to, again, deal with this end-run through relocations and the like. Is that a fair statement?

Mr. YOUNG. Rather than tackling this on a case-by-case, product-by-product, country-by-country basis, section 232 allows a comprehensive remedy to basically weave together solutions to each of those challenges.

Senator WYDEN. Senator Casey?

Senator CASEY. I wanted to focus on the two broad topics we are here to discuss today, and I open this up to anyone on the panel.

On the one hand, we are dealing with this issue of cheating, which is significant, and obviously, anytime you allow a cheater or a cheating strategy to remain in place or to be unfettered, you are going to have a bad outcome for the country that is the victim of the cheating, and that happens to be the U.S. So that is cheating on trade. That is part of what we are talking about today. But also, when we under-invest in our infrastructure, we are cheating ourselves as a Nation.

So you have both at work here. Both are pernicious. One is imposed upon us by another country or several countries when they do dumping and take other actions that are adverse to our workers and to our companies. But the other cheating is on us, if we don't make the investments we should be making.

So I wanted to open it up to the panel on both of those issues. In particular, maybe I will direct this to Scott.

One of the tools that we have is Customs and Border Protection. How do you feel Customs and Border Protection is doing with regard to efforts to identify, prevent, and address duty evasion and circumvention, if you can describe what we mean by both?

Mr. PAUL. Sure. Thank you for the question, Senator Casey. I think it is a great one. And I am glad that Senator Wyden mentioned the sting operation, because it really brought to light the type of challenges that we have seen. This goes back to the point of my testimony, which is that trade enforcement has not been at the core of our strategy for a very long time.

Customs and duty evasion and circumvention occur because there is opportunity and because there is lack of enforcement. The opportunity is that, even though we are only 5 percent of the population, we have an outsized amount of consumption compared to the rest of the world, so we are an attractive target. And our border protections with respect to fairly traded goods are really underfunded, and that has had serious consequences for products that range from steel and other metals to consumer products. And with digital platforms being available to sell this, it is expanding exponentially.

It is something, again, that I think most average citizens probably do not think about, but it has a real and palpable impact on the ability of our companies to be competitive. And this is where we underperform, to your point.

Our industries that are in global competition have not grown as fast as the rest of our economy for a very long time. And it is not because we do not have great workers. You heard Rick's testimony, in terms of the efficiency of a steelworker. It is not that we do not have amazing entrepreneurs. We clearly do. But it is that our public policy has not caught up, and some of that starts with those

very wonky, specific, and boring but essential enforcement mechanisms that have been underfunded and underappreciated.

Senator CASEY. Along the lines of wonky, can you describe for the audience what you mean by duty evasion and what we should do to combat it?

Mr. PAUL. Sure. Duty evasion—I guess there are two types. There is a straight-up duty evasion, which is whatever our normal tariff schedule is. Then there is duty evasion when it comes to, say, dumping orders having been opposed, or countervailing duty orders.

By those I mean—those are essentially extra taxes put on specific imports, specific lines of products from specific countries that have been found to have been dumped. They sometimes range from 5 percent up to 200 percent or 300 percent. There are lots of different ranges there.

But there is a boutique market for both mislabeling and shielding these types of imports from enforcement. So they are essentially contraband coming into our country. And they have harmful impacts in different ways, obviously, than opioids or other sorts of harmful products, but they harm our economy and they harm our workers.

And I am glad that the work of the Finance Committee, of Senator Wyden, has shed some light on this. We need stepped-up enforcement of this.

Senator CASEY. I want to open it up, Rick and Petra, if you have something on this. And I have a specific question for Petra after that.

Rick, anything on this, in terms of the worker impact?

Mr. GALIANO. Senator, what the worker impact is—I am kind of a person who sees the end result when an individual gets laid off and comes to our halls and goes over things that he or she had in the last 5 years that are all gone, and trying to get that individual back to work, getting them some relief, getting them some benefits, after the 6 months of unemployment that they lose, trying to get them on TRA benefits, trying to get them another field of employment after education. Like I said, then I see what happens to communities, the impacts of what goes on.

So it is disheartening to see these things go on and to try to get the foreign imports out when our hands are tied sometimes, and we can't do anything about it until the government works with us.

Senator CASEY. Petra?

Ms. MITCHELL. I think the impact on the supply chain is similar. When the steel industry is impacted and in decline, that ripple effect goes through the entire supply chain and puts a lot of added pressure onto smaller companies to continue to diversify, seek new markets, and look for other ways to keep their employees, because they certainly do not want to lose good employees due to the workforce challenges that I mentioned as well. So there is definitely a significant downstream impact.

Senator CASEY. Petra, I also want to put in a commercial. I am admitting up-front this is a commercial for your operation.

Ms. MITCHELL. I will take it.

Senator CASEY. I am not saying this just because Governor Casey created the program in Pennsylvania back in the 1990s, but why

the hell, if I can say it that way, would any administration eliminate funding from the Manufacturing Extension Partnership? I wish someone in the administration could come to me and show me the report that justifies eliminating that program. They do not have a report. It is some budget guy who does not know anything about it, does not care about it, does not know Pennsylvania and a lot of other States, saying we do not need this program.

So the only good news here is Democrats and Republicans in both houses will oppose the elimination of MEP, and that is the good news. But we cannot assume that is going to happen.

So, Petra, I want you to know, we are going to fight to get the funding for MEP in place. But this is the second year in a row now they have tried to eliminate it in their budget.

And I will wait 100 years for an explanation and still not have it, because there is no explanation other than some green-eyeshade guy in Washington who doesn't know our States, certainly doesn't know my State, talking about eliminating it.

So that is my commercial, and I am sticking to it.

Todd, I know we want to go to Senator Wyden, but anything on these issues?

Mr. YOUNG. Just briefly on the question about duty evasions and Customs and Border Protection. Following enactment of the ENFORCE Act, I will credit the agency for their outreach to the steel industry. That has continued, actually will continue through 2 weeks from now, when the Acting Commissioner himself—he is pending permanent Commissioner—is meeting with the steel industry. We also had a delegation of Customs personnel from around the country recently, either in 2016 or early 2017, visit our research and technology center here in Munhall, PA to learn more about steel, how to identify products, how to distinguish between those so that they know that a product that has a rightful duty on it, they are collecting it. They are not trying to misidentify the product to evade that duty.

Senator CASEY. Todd, thank you for that.

Senator Wyden, we are probably going to be wrapping up in about 10 minutes.

Senator WYDEN. Great. I just want to say, before we leave this matter of kind of how we go after the trade cheats who get busted, in effect, for dumping and unfair subsidies, and this did affect the steel industry, as we have been talking about. One of the things that Senator Casey and I were very interested in is, in the past, the reason the government would drag its feet is there was no trigger to make enforcement mandatory. I remember you and others told Senator Casey and I, "You have to change that. You have to have strict timelines to make sure the government actually brings down the hammer, and there has to be action."

So we have appreciated you working with us, and I think that was one of the big developments after we did the big sting operation, and you all told us what was going on.

I am going to wrap up with one point. I may have touched on it with Senator Casey. But Oregon and Pennsylvania have another thing in common, something probably both of us would rather not be the case, be able to pass on it, and that is, both of us had our

companies hacked by the Chinese. And I know that the Chinese stole intellectual property from you all, Mr. Young.

As you know, our solar manufacturer—we don't have very many solar manufacturers left in the United States—they also had intellectual property hacked. And in both cases, the Chinese were indicted for actually engaging in this kind of action.

So I will just close, I think, Mr. Young, by having you tell us, what was the implication of the Chinese hack on you all, and how, in your view, can the 301 case be used to get China to eliminate unfair policies?

Mr. YOUNG. As you noted, we were twice the victims of cyber-espionage, which included the indictment of members of the Chinese military. They specifically, in a second spear-phishing attack, sought to exfiltrate confidential business information related to advanced high-strength steels. We spent considerable effort, time, resources, and money to develop this technology. It is the direction in which steel is moving. It is lighter. It is stronger. It is what the auto industry needs to meet efficiency standards but also still protect the occupants of those vehicles.

The full implication of it is not known. We did bring a separate legal challenge against Chinese producers based upon this attack. One of the things we found is that the law passed several decades ago was not as efficient in processing a cyber-espionage attack, but we thought that was an important principle, to not let that matter rest.

The full impact of it is that, if you can steal from us what we have spent years and extensive resources developing on the next generation of steel, and you do not go through that process yourself, certainly a shortcut would help potentially an entire industry in China which has half of the world's steelmaking capacity.

Senator WYDEN. Does anything about this relate to 301 and using it?

Mr. YOUNG. We actually filed comments when the 301 process was initiated, noting, in particular, part of the 301 effort is targeted on the sort of mandatory voluntary transmittal of intellectual property in order to do business in China. What we wanted to have on the record, which was known, but to reiterate, is that it is not just a matter of them making you take a step to engage in their markets. They attack us, and they do it through cyberspace.

The question of exactly how a 301 could be used in that front, we are very curious to see the outcome of this report, similar to the 232. We expect that it is coming. But we have, obviously, taken steps since that time to seek to prevent a similar outcome. We are not seeking to produce steel in China. We are happy to produce it here as a 100-percent American company, from the raw materials to the final steel produced.

To the degree they have some of our confidential business information and are using it, our priority would be to not let that product into our country.

Ms. MITCHELL. Senator, maybe just a quick comment.

Cybersecurity is a huge, huge issue for small manufacturers as well. As you can imagine, they are resource-constrained. They do not have the full IT staff and departments to really manage that.

But also, they are targets. Small companies are targets for financial fraud, for financial risk. And we suspect, very soon, they will be targets for stealing of intellectual property, as was already mentioned, and also shutting down of production facilities. One small company can be a critical element of a supply chain. You shut that company down, and that whole supply chain can be shut down.

So again, it is a major issue not just for large companies, but for small ones as well.

Senator CASEY. Thanks. That may be the last, unless Senator Wyden has one. He certainly has the opportunity to ask another question.

I want to turn to Rick Galiano. Rick, we were with the President on Tuesday, as I said, around a long table. And that was a good discussion we had. I brought up—it wasn't by way of the question, it was just urging the President to act in a time frame shorter than the 90 days. I probably should have used the number 60, because there are only about 60 days left for him to decide.

But I said that because of this delay. I know some people listening might say, "Oh, there goes a member of the United States Senate complaining about government inaction, and government is always slow. What is different about this one?" What is the difference, right?

But this one, this delay, has real consequences for the surge of imports. And obviously, what flows from that are real, adverse consequences for the workers.

If you can, walk through that a little bit and just give us a sense of what this means, what this delay means, what this lack of a remedy means in the real life of a real worker?

Mr. GALIANO. Every day it delays is every day an employee may lose their job, a member may lose their job. As that continues, with foreign imports, the industry itself slows down, and the unemployment office gets busier because they lose their jobs.

So in fact, if this is stalled any length of time, we are going to have issues dealing with the last depression or recession that we had 5 or 6 years ago or 7 years ago with the factories being 50-percent idle, as it was back then.

The plant that I come out of, it just started getting busy in the last 2 years. Four years before that, it was slow, and it came into a cycle that they are busy again. But with the foreign imports coming into this country as fast as they can, I fear that the same thing is going to happen going forward if this doesn't pass within the next 6 months or 3 months.

Senator CASEY. In your testimony, when you talked about recent action to put more tools in the toolbox, you said, I think it is the first page of your testimony, when you talked about the passenger vehicle, light truck tires issue, you talked about a \$3-billion investment into U.S. tire plant expansions and factories because you had that tool available.

Mr. GALIANO. Correct.

Senator CASEY. Seven thousand, two hundred union tire workers at Goodyear reached a new 5-year agreement.

In other words, you have tools. You use those tools for enforcement. And you get results for American workers.

Mr. GALIANO. And with a 5-year agreement, no employee will be laid off for the full 5 years.

Senator CASEY. So what we are trying to do together is get the same results for steelworkers and others just like what happened in the tire context. So it is a good analogy, a good comparison.

Senator Wyden?

Senator WYDEN. I think this has been very, very helpful, Senator Casey. We started out, whatever it was, 1½ hours ago or something, talking about how, in life, sometimes, particularly for us in the Senate, you can be talking about something and everybody says, "That is interesting. Let's come back in 6 months or 8 months and find out what is going to happen." But what you have done by scheduling this hearing—and we have been kidding, we went to the meetings, we scheduled the hearing, and all of a sudden we are going to get results. But this is not the first time you have led our committee on these issues, as we have talked about with respect to the ENFORCE Act and the Leveling the Playing Field Act. And in effect, keeping the pressure on day in and day out has helped us, as I have described it, begin a fresh approach on trade that I have come to call trade done right.

So I just want you to know I very much appreciate you giving me this invitation. We have learned a lot of valuable facts here today. And I think all of you Pennsylvanians can expect to see Senator Casey and I, to some extent, perhaps as early as this afternoon, start commenting on some of the things that the President may want to pursue. And we will talk about what the voices of Pennsylvania have had to say about it.

Senator CASEY. Senator Wyden, thanks very much. We are grateful you are here and grateful for your leadership on these issues.

I have to say that I don't know exactly what was said on the conference call that Commerce Secretary Wilbur Ross had at, I guess 10:30. We will learn that soon. But here is what I hope happened. It is a little bit of fiction, but it lightens the mood a little bit.

I am hoping that Secretary Ross got on the phone, and before he walked through too much of his presentation, that he was there solely to be introducing another person on the phone, and the President got on the phone and made an announcement. I do not think that happened, but I am hoping, because we want to hear from the President on 232. We want to hear from the President that he is going to use every tool at his disposal to fight back against China cheating, to fight back against any country trying to take our jobs, and to put in place bipartisan approaches to create and retain jobs.

I referred to this letter the other day when I had my 2 minutes of comments. I referred to a February 1st letter the President received, and this is signed by, if I count the signatures, by about 25 steel executives. I will not read all of it, obviously, but the one thing that they said in this letter, among many important points—and I reiterate this today for what I hope will be the determination by the President—they said, talking about a 232 decision, "We urge you to implement a remedy that is comprehensive and broad-based, covering all major sources of steel imports and the full range of steel products with only limited exceptions for products not currently available in the United States."

A lot of words there, but the most important are, they want a remedy that is comprehensive and broad-based. The President was advised by some members of Congress in the room to be narrow and focused and limited and balanced and all that. That always sounds nice, but when it comes to American workers, we do not want to be limited. We do not want to be balanced. We want our workers to win based upon the actions the Federal Government and the Congress can take.

We do not want to be targeted. We want to win these races. We want to get these jobs and keep these jobs, because, as was pointed out earlier—Rick, I think you made the point—when folks lose jobs in these circumstances, it is not something that that worker did or that company did. It is because other companies are cheating, and we are not holding them accountable, even though we have all the tools to do it. We have to make sure that becomes the case.

You know, I have said it a thousand times. I will say it again. We had a statue, a bronze sculpture, I should say, that was put in front of the Governor's residence in Harrisburg. The guy that put that there I knew pretty well. And he got support from every union in the State of Pennsylvania to build that bronze sculpture of a steelworker putting in place a steel beam. He said the reason he put it there was to remind every future Governor about what steelworkers meant to the country, how they built our country, and how they helped us outproduce the world to—guess what?—win World War II. That is about all they did, right?

And it is about time that we take a similar approach and have a similar determined spirit to fight on their behalf when it comes to protecting their jobs. If they have a level playing field, if we enforce the law, if we hold other countries accountable, and if we bring cheaters to justice, so to speak, guess what? Steelworkers or all of our workers can outcompete the world and do as their ancestors did to win World War II and to win any war, whether it is economic or otherwise.

So that is all we are asking. We are not asking for something extra here. We are just asking for people to enforce the law, use the tools that you have, and win these races, win these fights for our workers.

So I am so grateful that our panel was here with us today to give us a perspective on this. I am certainly honored to be here at the Community College in Beaver County.

And, Senator Wyden, we are grateful that you took the time to travel to Pennsylvania. We are also even more grateful for your work on the Finance Committee on these issues.

So, unless there is anything further, we are adjourned.

[Whereupon, at 11:19 a.m., the hearing was concluded.]

APPENDIX

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

PREPARED STATEMENT OF HON. ROBERT P. CASEY, JR.,
A U.S. SENATOR FROM PENNSYLVANIA

We're here today to discuss what I view as two of the most critical issues that relate to the competitiveness of our Nation: manufacturing and infrastructure, which have a substantial impact on jobs and wages. I'm honored to be joined today by Senator Wyden, who came from Washington to be with us, but as you know represents the State of Oregon and has worked for years on all these issues—trade issues, economic and jobs issues, manufacturing, infrastructure, and the like.

We know that steel overcapacity, as well as trade cheating and China's efforts to literally steal our future by stealing our companies' IP, are some of the most fundamental trade issues of our time because they directly impact Pennsylvania jobs and wages. I've said for years and I'll say again: when China cheats, Pennsylvania loses jobs. It's that simple. So we have to face that reality when we're confronting these issues. China is going after America's competitive advantage by any means necessary; if China can't buy it, or if China can't run it out of business, they steal it. And unfortunately that's a harsh reality. You don't need to look far in our State to find companies and unions who have been hacked by the Chinese government. Just talk to U.S. Steel, talk to the Steelworkers, talk to other institutions in southwestern Pennsylvania who have been victims of these actions.

I went to the White House this past Tuesday to meet with the President and a bipartisan, bicameral group of legislators—Senators and House members of both parties, including Senator Wyden—to discuss steel and aluminum. At that meeting, I told the President how Pennsylvania companies and steelworks have been hammered by the surge in imports since the Commerce Department announced its section 232 investigation last April on whether rising steel and aluminum imports represent a threat to national security. I also heard from Senators telling the President to exercise caution—that's what a number of Republican Senators and House members were telling him. I have a different view, which we'll get into later.

When the Commerce Department launched this investigation in April of last year, I along with steelworkers across Pennsylvania were hopeful that the Commerce Department would quickly complete their study, and the President would take decisive action. And then, we waited. Through the spring and the summer, rumors were swirling, but still steel imports were surging. The Commerce Department seemed ready to transmit the report by the end of the summer and then the President told *The Wall Street Journal* in July that he did not intend to move forward on a final determination on the steel section 232 case until "everything finished up between health care and taxes, and maybe even infrastructure." So said the President at that time. Meanwhile, we watched imports rise for the first 12 months of 2017—total steel and finished steel imports were up 17.5 percent and 14.6 percent, respectively, from the same period in 2016. So total steel basically up 18 percent, and finished steel imports up basically 15 percent in that time period. Imports of electrical steel, which many of you know is the steel used to ensure we have an electricity grid, have more than doubled from 2016 to 2017. Pipes and tubes surged 82 percent from 16 percent to 17 percent. So electrical steel up 100 percent, pipes and tubes up 82 percent.

The Commerce Department had 270 days to transmit the report to the President, and they submitted it just shy of that by a few days. The President then had 90

days to make a determination. At the White House this week, I urged him not to take that long and move swiftly on this long-delayed relief.

I said earlier we can't allow China to steal our future, and that's not drama and hyperbole, that's the truth. If we allow them to continue on the pathway that they've been on, they will steal our future. Actions matter, and the actions we take today must be directed at long-term outcomes we want for our children and grandchildren. This means an economy that creates opportunity for all Americans and a system that creates a fair environment for our workers to find jobs that pay family-sustaining wages. This also means investing in our roads and bridges, schools, locks, and dams which are so important to commerce here in southwestern Pennsylvania, and of course our electric grid, and broadband. Infrastructure matters. It's about our security, it's about our safety, and it's about our jobs. So this means putting real Federal dollars behind infrastructure that is fundamental to our combined competitiveness.

I believe you can do infrastructure one of two ways: you can do it the corporate way, which is not the way to do it, or you can do it the American way. I want an American infrastructure bill. It means we're all in this together, we're all one American family. We ought to put public dollars in, and big dollars, to really make a difference and create jobs. So this means making sure that the inputs to that infrastructure are made in America. I think both parties agree on that, and I'm grateful that Senator Wyden is here today to make these points and to discuss these critical matters for the economy of Pennsylvania, the jobs of Pennsylvania, as well as American jobs and American competitiveness.

PREPARED STATEMENT OF RICK GALIANO, PRESIDENT,
BEAVER LAWRENCE COUNTY CENTRAL LABOR COUNCIL

Mr. Chairman, members of the committee, it is an honor to speak with you at this field hearing on Trade Enforcement and Infrastructure. My name is Rick Galiano, and I am president of the Beaver Lawrence Labor Council and a United Steelworker (USW) member. My testimony to you today is straightforward; I try to do everything in my power to improve the livelihood of our union brothers and sisters, our communities, and our country. I want Congress and the administration to do the same. My concern is that the tools that our country has to defend its manufacturing base and move it further into the new millennium have been improved, but much more must be done.

Since Congress passed the Leveling the Playing Field Act and the ENFORCE Act a slew of trade enforcement cases followed. The much-needed trade law improvements in the Leveling the Playing Field Act were critical to the success of those cases and Senator Wyden's ENFORCE Act is necessary when those that trade unfairly try to game the system. Since then, some of our international competitors have tried to deride these changes as "protectionist"; instead I see the day-to-day results when a worker gets a job back or their hours increase. And I also see the potential if we could do more. Restoring fair play and ensuring that we have a fair chance to compete internationally is all we ask.

For example, since the USW successfully brought forward an antidumping and countervailing duty case on Passenger Vehicle and Light Truck (PVL) tires against China in 2015 and off the road tires from India last year, close to \$3 billion have been invested into U.S. tire plant expansions and factories.¹ Seven thousand two hundred union tire workers at Goodyear reached a new 5-year agreement with wage improvements and an extension of plant protection guarantees where no USW plants will close during the term of the agreement.² To the doubters of the value of trade enforcement, I dare them to look one of those workers in the face and tell them they are not worth "protecting."

I wish I could say there is a similarly positive outcome in the steel industry as there is in the tire industry. Since the passage of the Leveling the Playing Field Act, 67 anti-dumping and countervailing duty orders against a multitude of countries have been put into effect. While those trade enforcement cases in the steel in-

¹<http://www.rubbernews.com/article/20160913/NEWS/309059996/tire-makers-invest-10-billion-in-expansions-improvements> and <http://www.rubbernews.com/article/20170911/NEWS/170919998/tire-makers-spend-big-on-new-plants-expansions>.

²<https://www.usw.org/news/media-center/releases/2017/usw-members-overwhelmingly-approve-goodyear-contract>.

dustry worked through the year-long process to get tariff relief, almost 19,000 steelworkers that were laid off in 2015 at idled or underutilized facilities across the country waited. Too many are still waiting. And, let's remember, those trade cases are simply about addressing foreign unfair trade in line with international rules we weren't asking for anything that the law wasn't designed to provide.

While workers waited, the steel industry last year shipped 90,886,717 net tons, a 5.0-percent increase, which is promising on the one hand but the industry operating capacity hovers in the low 70s, meaning roughly 25 percent of our country's steel making capability sits idle or underused.³ While global overcapacity still gets talked to death at the Global Forum of Steel Overcapacity and at the Organization of Economic Cooperation and Development (OECD), USW has been cautiously optimistic about the chance for unilateral relief through the implementation of more exotic trade enforcement mechanisms like the section 232 steel and aluminum investigations currently in President Trump's hands.

As you are aware, section 232 is a part of U.S. trade law that gives the Commerce Secretary the ability to investigate whether certain import levels pose a national security threat. USW firmly believes that our Nation's military and critical infrastructure needs are essential to our national security. The industry cheered last April when President Trump announced a section 232 investigation into steel imports—but we are still waiting for results.

When President Trump and administration officials had pledged to unveil the findings of the section 232 investigations by July 1 of 2017, we were hopeful at first and left wondering each day after. Now it is over a month since the Commerce Department submitted the 232 steel and aluminum reports to the President, and they're still sitting on his desk. Those reports initiated over 270 days ago by the Trump administration appeared to be an attempt to fulfill a campaign promise to manufacturing workers.

By delaying the 232, the foreign steel industry saw an opening. While the U.S. has shipped more steel this year, finished steel import market share was 27 percent for full year 2017. Total and finished steel imports are up 15.4 percent and 12.2 percent, respectively.⁴ The economy has grown but the U.S. steel industry continues to fight a barrage of foreign steel products. Most of the growth in our market is going to imports—not to our own steel mills and steelworkers.

However, our union has not been idle, knowing that others would try to undermine the 232 investigation. USW members across the country have stood up asking for the Congress and the administration to do its job and defend the most efficient and advanced manufacturing industry in the world. Since the initiation of those investigations, over 120 Representatives and Senators submitted letters to the Department of Commerce or the President urging action on the investigations.⁵ Almost 15,000 Steelworker union members from across the country wrote the Department of Commerce asking for a conclusion and successful remedy.

Promises and rhetoric can only go so far. The actions we take as a country to create a better deal for American workers will be the measure by which union members and voters judge our elected officials.

U.S. workers should not fear globalization, but it requires our elected leaders to focus not just on corporate profits but on the distribution of that wealth. Our trade laws need to reflect a more globally connected world and the potential for abuse by bad actors. We are using tools developed in the last century to fight a war in this one. A modern steelworker in this country can make 1.9 tons of steel per man hour; I want our country's trade laws to be that efficient and effective.⁶

The Finance committee has the potential to not just upgrade our trade laws but also set a path to renew our Nation's infrastructure. The great accomplishments of the 20th century in this country need maintaining and unlocking the potential of the 21st century requires leadership from all levels of government including this committee.

Even though the U.S. Congress and some States have recently made efforts to invest more in infrastructure, these efforts do not come close to the \$2.0 trillion in

³https://www.steel.org/Steel_org/document-types/news/2018/decembershipments.aspx?siteLocation=c481cc99-d816-4613-805c-b90af33cc162.

⁴<http://www.steel.org/~media/Files/AISI/Press%20Releases/2018/IMP1712.pdf>.

⁵<https://www.usw.org/news/media-center/articles/2017/thanking-those-who-stand-with-us>.

⁶<http://www.steel.org/about-aisi/industry-profile.aspx>.

needs as reported by the American Society of Civil Engineers (ASCE). Infrastructure is the backbone of the U.S. economy and a necessary input to every economic output. It is critical to our national defense.

The cost of deteriorating infrastructure takes a toll on families' disposable household income and impacts the quality and quantity of jobs in the U.S. economy. ASCE estimates that from 2016 to 2025, each household will lose \$3,400 each year in disposable income due to infrastructure deficiencies.⁷

If I paid only half my mortgage payments, I would lose my home. Yet as a country we are only paying half of America's infrastructure bill, leaving an investment gap and an electorate stuck in gridlocked traffic on outdated roads or crammed into unreliable and unsafe mass transit systems. It diminishes our competitiveness by increasing costs to business and getting products to markets. I worry that by failing to meet our country's infrastructure needs we will indeed be at risk of losing the cohesion of our great country. I want to put a few examples in front of you today to reflect on. I do not know all the solutions to these problems but just like every USW member, I am willing to roll up my sleeves to fix these problems.

- In today's increasingly digital world, 88 million citizens in urban and rural America lack affordable or any broadband access.⁸
- It is estimated that leaky, aging pipes are wasting 14 to 18 percent of each day's treated water; the amount of clean drinking water lost every day could support 15 million households.
- Due to the lack of investment, the number of deficient high-hazard potential dams has also climbed to an estimated 2,170 or more. It is estimated that it will require an investment of nearly \$45 billion to repair aging, yet critical, high-hazard potential dams.
- One out of every 5 miles of highway pavement is in poor condition and our roads have a significant and increasing backlog of rehabilitation needs.⁹
- The most recent estimate by the American Society of Civil Engineers puts the Nation's backlog of bridge rehabilitation needs at \$123 billion.

We are fast closing in on 20 years into the new millennium and the Federal Government cannot just be a partner with States and private entities. Nor can it improve infrastructure by privatizing or selling public assets. We need the Federal Government to be a leader. We need to set policies that maximize the public good for our infrastructure not just for the short term but the long term.

We need to ensure our tax dollars are used to maximize the economic benefit with domestic procurement policies like Buy America. We must ensure that products actually qualify under the act. Foreign producers have been pushing to undermine our melted and poured standard so that only 10 percent of the actual work would be done in this country as they ship slabs into the U.S. hoping that minor transformation here would confer preferential procurement status. Loopholes and gimmicks aren't acceptable. We need to avoid privatization for the sake of privatization. We need to ensure workers receive a living wage for the work they do to bring our infrastructure into the 21st century.

In closing, I know with a strong trade enforcement strategy combined with a concerted effort to renew our infrastructure we create a better America. Workers in Pennsylvania, the country and every USW member have faith that we can use the last 10 years of economic turnaround to springboard into the future but we look to you as our elected leaders to accept that faith and lead.

PREPARED STATEMENT OF PETRA B. MITCHELL,
PRESIDENT AND CEO, CATALYST CONNECTION

Good morning. My name is Petra Mitchell, and I am the president and CEO of Catalyst Connection, an economic development organization that for over 30 years has been dedicated to serving our region's small and medium-sized manufacturers. On behalf of our board of directors, our staff and our clients, I assure you we are passionate about manufacturing.

⁷<https://www.infrastructurereportcard.org/wp-content/uploads/2016/10/ASCE-Failure-to-Act-2016-FINAL.pdf>.

⁸<https://www.recode.net/2017/6/20/15839626/disparity-between-urban-rural-internet-access-major-economies>.

⁹<https://www.infrastructurereportcard.org/cat-item/roads/>.

Manufacturing in this country is a \$2-trillion sector, with over 11 million workers and approximately 293,000 establishments. Manufacturing in southwestern Pennsylvania is a \$12-billion sector with 93,000 workers and approximately 3,000 establishments. Many of these establishments are closely held, privately owned, or family owned businesses, and Catalyst Connection has worked with about half of them since our inception and 153 in the last year.

To enable us to do our work, Catalyst Connection is funded in part by the National Institute of Standards and Technology (NIST) Manufacturing Extension Partnership (MEP) program and by the Pennsylvania Industrial Resource or IRC program. The IRC program was started by Governor Robert Casey, Senator Casey's father, and was a model for the national MEP program, both of which have been in existence since the late 80s.

This morning I'd like to provide an overview of the MEP program, the challenges that small and medium-sized manufacturers are facing, and the role that the MEP program and Catalyst Connection are playing in helping to address those challenges.

OVERVIEW OF THE MEP PROGRAM

The MEP program is a Federal public-private partnership that provides small and medium-sized manufacturers (SMMs) technology-based services they need to thrive in today's economy and create well-paying manufacturing jobs. MEP is managed by the NIST and implemented through a network of industry-led centers located in every State.

MEP is a proven partnership that can help President Trump achieve his vision and commitment for American manufacturing and its workforce.

SMMs account for nearly 99 percent of all manufacturing firms in the United States, and MEP is the only Federal program dedicated to serving them. These firms comprise the supply chains of Fortune 500 manufacturers and drive our Nation's economy. Due to their need for manageable and customized services, they are often overlooked by for-profit consulting and technology firms but need those services to compete, grow, and create jobs. The MEP centers fill that gap. In 2016 alone, more than 26,000 SMMs utilized the MEP network.

MEP returns \$8.70 to the Federal Treasury for every \$1 invested.

As a public-private partnership, MEP delivers a high return on investment to taxpayers. The Upjohn Institute for Employment Research conducted a study of MEP this past year and found that the program generates an 8.7:1 return on investment. Each year, an independent firm surveys manufacturers regarding the impact they have achieved from MEP Center services. In 2017, MEP clients reported \$12.66 billion in new and retained sales and the creation or retention of 110,721 jobs. Considering that the average U.S. manufacturing worker earns more than \$82,023 in wages and benefits per year, MEP clients are economic drivers in their communities. MEP clients are also increasing their capacity for the production of goods. MEP clients reported \$3.5 billion in new investments directly attributed to their work with MEP.

Manufacturers served by MEP make a substantial economic contribution.

Since 1988, MEP clients reported 884,596 jobs created and retained, high-paying jobs that have a large multiplier effect. Each of these jobs creates 3.4 full-time additional jobs, totaling more than 3 million additional jobs in local communities. The total job impact by the MEP Program generates significant local, State, and Federal tax revenues.

Manufacturers pay to utilize MEP—so it's not free.

SMMs pay for the direct costs of the services they receive. This fee for service meets the Federal cost share requirements, requires MEP Centers to offer services that are of value to the manufacturing community, and encourages SMMs to seek a return on their investment, which is more likely to sustain the improvements and generate local economic impact.

Congress has just reauthorized MEP through the American Innovation and Competitiveness Act.

By voting unanimously to pass the American Innovation and Competitiveness Act (S. 3084) which was signed into law on January 6, 2017 (Pub. L. 114-329), Congress

has provided a major boost to the Nation's economy by encouraging growth in the manufacturing sector through advanced manufacturing initiatives.

SOUTHWESTERN PENNSYLVANIA JOB LOSSES IN MANUFACTURING

Catalyst Connection has been the MEP of southwestern Pennsylvania since 1994, and has achieved significant results. Companies that work with us are hiring, growing, and adding jobs. But we need to do more. Unfortunately, manufacturing employment in our region has decreased by almost 5 percent in the last 5 years, even though output and productivity are growing. We believe that a majority of the 4,500 job losses are coming from plant closures and shutdowns of larger companies, such as Aquion Energy and Akers National Roll, but the growth in jobs among smaller companies was just not enough to make up for these losses. This is particularly concerning for rural communities where downturns in manufacturing impact rural communities disproportionately to more urban communities. Considering that almost all manufacturing-dependent counties in this country are rural, this can have a big impact on people's lives. Back in our region, at least four counties (Indiana, Lawrence, Somerset, and Greene) are considered rural according to the USDA, while many other communities within the other counties certainly seem rural. Adding to our concerns is that many of the counties in our region are also coal-impacted, making things very difficult in some of our communities.

Advanced Manufacturing Technology and Workforce Development Challenges

To reverse the trends in job losses in our region and around the country, companies will need to accelerate their pace of growth, greater than any productivity gains that they must achieve to remain competitive in global markets. They will have to continue to invest in new products, automation and robotics, and in workforce development.

The technologies of Industry 4.0 are quickly taking shape such that additive manufacturing, big data and analytics, digital manufacturing, Internet of Things (IoT), smart manufacturing, and other similar buzz words are becoming commonly used, yet few manufacturing leaders truly understand the power of these developments, or more importantly the impact that they could have on their businesses.

And while many companies are growing and interested in hiring, the skills gap in manufacturing continues to play a significant role, hampering growth, since many companies just can't find the workers they need to fill critical jobs. According to a Deloitte report, *The Skills Gap in Manufacturing, 2015 and Beyond*, over the next decade, nearly 3.5 million manufacturing jobs will likely need to be filled in the United States. The skills gap is expected to result in 2 million of those jobs going unfilled.

In southwestern Pennsylvania, the news is similar. According to the Partners4 Work Workforce Investment Board, 26 percent of the approximately 93,000 manufacturing workers in southwestern Pennsylvania are age 55 or over. This identifies the need for 24,000 people to enter into careers in manufacturing over the next 10 years to backfill impending retirements. This is a daunting challenge for one of our most important drivers of regional economic success and could result in many of the job openings going unfilled. Similarly, Brookings, in its recently released report *Capturing the next economy: Pittsburgh's rise as a global innovation city*, writes that "demographic and skills headwinds threaten Pittsburgh's ability to create the broad workforce needed to compete." Brookings notes that this is not a simple issue of supply and demand, or even of addressing the skills gap, as many workforce training programs go unfilled. Brookings notes that many "job seekers don't see viable pathways to careers in advanced industries, including manufacturing."

While the Brookings report suggests that there are unemployed and underemployed workers available, a recently released report by the Pennsylvania IRC Network, *Advanced Manufacturing Technology Survey Interviews Report*, 60 percent of small and medium manufacturers (SMMs) report that talent was one of their top three business challenges. Respondents seem to be concerned both with the lack of knowledge and skills due to retirements, as well as a lack of skills needed to support emerging technologies. Companies are being challenged to respond to workforce needs to upskill and prepare for new technology.

THE IMPORTANT ROLE OF CATALYST CONNECTION AND THE MEP PROGRAM

Manufacturing CEOs are looking to external resources such as the MEP program and Catalyst Connection to provide valuable business process and technology adoption services right-sized to meet their needs. Our foundational expertise in helping

companies with strategies focused on product, process, and people are critical to getting ready for new technologies.

Product services are those that facilitate manufacturer growth through improved marketing and sales techniques, new product development, exporting, and internal and collaborative innovation. Pennsylvania's research universities are critical partners for product innovation. *Process* services are those that reduce operating and product costs through the implementation of operational improvements, achievement of quality objectives, successful pursuit of sustainability and energy/materials efficiencies, and supply chain optimization. And finally, *People*-focused services provide assistance in the areas of talent development, training in specialized skills, improvements in hiring, HR management, workforce evaluation, and workforce planning processes.

The bottom line is that products must be innovative, processes must be efficient and globally competitive, while the people must have the skills to program, operate, and maintain highly automated equipment. And employers are in need of assistance in each of these areas.

Catalyst Connection is also engaging in regional workforce development strategies focused on career awareness and exploration at the middle school and high school level, and on Employer-led Apprenticeship programs. Our Middle School Video Contest, "What's so Cool About Manufacturing," attracts over 400 students, parents, and teachers, and begins the process of changing the image of manufacturing. Our high school Manufacturing Innovation Challenge allows students to practice their real-world problem-solving skills by matching them with local employers and a business challenge. Our Employer-Led Apprenticeship program is focused on helping companies register and implement an apprenticeship program that helps to fill their talent pipeline, while giving workers valuable credentials and on-the-job training. Our region's community colleges are critical partners in our apprenticeship programs.

Conclusion

In 2017, Catalyst Connection clients reported almost \$130 million of new and retained sales, \$8 million of cost savings, \$16 million of new investments, and 1,164 jobs created and retained. Companies value the work we do and tell us that our staff's technical expertise and experience, the cost of our services, the return on investment, and the reputation for results are the main reasons they choose to work with us.

I urge you to continue your support for policies and funding that support our country's small and medium-sized manufacturers, which are critical to our Nation's supply chains, including the Department of Defense, and which provide high-paying family-sustaining jobs for millions of American families and contribute to their local communities and economies. Workforce development resources, including support for apprenticeship programs, are a key factor in closing the skills gap in manufacturing. The MEP program, as the only program dedicated to serving our country's small and medium-sized manufacturers, is a critical program, and I would urge you to continue to support funding for this program at modestly increased levels.

Manufacturing businesses create and retain high-paying, family-sustaining jobs that are building the foundation for national and regional economic growth. Manufacturing job growth also has a significant ripple effect throughout our entire economy, where many firms will prosper.

PREPARED STATEMENT OF SCOTT N. PAUL, PRESIDENT,
ALLIANCE FOR AMERICAN MANUFACTURING

Senator Casey and members of the committee, thank you for the opportunity to testify on behalf of the Alliance for American Manufacturing (AAM) at today's hearing on "Trade Enforcement and Infrastructure: Safeguarding our Industrial Base From Present and Future Challenges."

The Alliance for American Manufacturing is a non-profit, non-partisan partnership formed in 2007 by some of America's leading manufacturers and the United Steelworkers. Our mission is to strengthen American manufacturing and create new private-sector jobs through smart public policies. We believe that an innovative and growing manufacturing base is vital to America's economic and national security, as well as to providing good jobs for future generations. AAM achieves its mission through research, public education, advocacy, strategic communications, and coali-

tion building around the issues that matter most to America's manufacturers and workers.

Formed in 2007, AAM is proud to have helped call attention to some of the most pressing trade issues impacting American manufacturing companies and their workers—including global industrial overcapacity, dumping and subsidies, State-owned enterprises, currency manipulation, theft of trade secrets, and the need to better negotiate trade agreements. And, with respect to infrastructure, we have been at the forefront of efforts to establish stronger Buy America rules to ensure that our hard-earned tax dollars create jobs here at home.

U.S.-CHINA TRADE DEFICIT IS UNPARALLELED IN ITS MAGNITUDE AND ADVERSE IMPACT

Since Beijing's 2001 entry into the World Trade Organization (WTO), the U.S. bilateral trade deficit with China has more than quadrupled, from \$83 billion in 2001 to a record \$375 billion in 2017. In just 15 years, the impact of the surging U.S.-China trade deficit on U.S. companies and American workers has been severe and too often overlooked. Our communities have shed more than 54,000 manufacturing facilities and we've seen our global market share in manufactured exports shrink from 14 percent in 2000 to 9 percent in 2013. Altogether, a staggering 3.4 million jobs, largely in manufacturing, have been lost because of this massive trade imbalance. Each State and every congressional district in the United States has experienced lost jobs. In Pennsylvania alone, 136,700 jobs were displaced, accounting for 2.34 percent of the Commonwealth's workforce. And the losses extend into nearly every sector of the economy, ranging from computer and electronic parts to textiles and apparel, furniture, steel, aluminum, and other capital-intensive sectors.¹

While the China trade deficit is unparalleled both in its magnitude and its adverse impact on our economy, we should not overlook that unfair trade from many other countries—even including our allies—has taken its toll:

- *South Korea.* It was promised that the U.S.-Korea Free Trade Agreement (KORUS) would support 70,000 U.S. jobs and increase exports of American goods by \$10 to \$11 billion. Yet, the U.S. trade deficit with South Korea jumped \$15.1 billion between 2011 and 2015 (from \$13.2 billion to \$28.3 billion), resulting in the estimated elimination of more than 95,000 jobs.² The trade agreement hailed as a job creator has not opened new markets for U.S. automobiles and other products, as was promised, and demands improvement.
- *Japan.* Meanwhile, it has been estimated that the trade deficit with Japan—fueled by currency practices—is estimated to have eliminated nearly 900,000 U.S. jobs as the goods deficit reached \$78.3 billion in 2013.³ It has remained at unacceptable levels ever since.

TRADE DEFICIT REDUCTION MATTERS

Trade deficits matter, and there is compelling research showing that reducing trade deficits would yield positive outcomes for our economy. For instance, a reduction of the U.S. global trade deficit by between \$200 billion and \$500 billion each year “could increase overall U.S. GDP by between \$288 billion and \$720 billion and create between 2.3 million and 5.8 million U.S. jobs.”⁴

To those who have made unfounded claims that the loss of 5 million U.S. manufacturing jobs, or roughly one-third of the total amount, since 2000 was the result of increased productivity, and not trade deficits, the data does not support such a narrative.⁵ According to the Economic Policy Institute (EPI), between 2000 and 2007, 3.6 million manufacturing jobs were lost. Yet, productivity growth declined, falling from 4.1 percent per year in the 1990s to 3.7 percent per year. The drop in the rate of growth of manufacturing output to 0.5 percent per year is largely the result of the rapid growth of the manufacturing trade deficit. Meanwhile, the Great Recession and financial crisis was largely responsible for the decline in manufac-

¹Scott, Robert E. “Growth in U.S.-China trade deficit between 2001 and 2015 cost 3.4 million jobs.” Economic Policy Institute, January 31, 2017. Web, May 9, 2017.

²Scott, Robert E. “U.S.-Korea trade deal resulted in growing trade deficits and more than 95,000 lost U.S. jobs.” Economic Policy Institute, May 5, 2016. Web, May 9, 2017.

³Scott, Robert E. “Currency Manipulation and the 896,600 U.S. Jobs Lost Due to the U.S.-Japan Trade Deficit.” Economic Policy Institute, February 4, 2015. Web, May 9, 2017.

⁴Scott, Robert E. “Currency Manipulation and the 896,600 U.S. Jobs Lost Due to the U.S.-Japan Trade Deficit.” Economic Policy Institute, February 4, 2015. Web, May 9, 2017.

⁵Gosselin, Peter, and Dorning, Mike. “After Doubts, Economists Find China Kills U.S. Factory Jobs.” *Bloomberg Politics*, June 18, 2015. Web, May 9, 2017.

turing output and job loss from 2007 to 2014. Manufacturing trade deficits continued to surge over this period following the Great Recession.⁶

PROACTIVE TRADE ENFORCEMENT APPROACH IS NECESSARY TO ELIMINATE TRADE DEFICITS

For too long, our trade policies haven't been focused on supporting our manufacturing sector but, in many ways, have undermined it. The United States is long overdue for a new approach to trade, especially with China. It is both possible and desirable to create a trade policy framework to support a resurgent, made in America manufacturing base.

The United States has considerable economic leverage to shrink our \$375-billion 2017 trade deficit with China. U.S. exports to China account for less than a percent of our GDP, our banks hold less than a percent of their assets in China, and multinational companies derive less than 2 percent of their revenue from there.

Using aggressive trade enforcement to strengthen key U.S. sectors is hardly a radical proposition and there is clear precedent in our not too distant past of bold leadership and outside the box thinking. President Ronald Reagan adopted a flurry of measures to address an uneven playing field with European nations and Japan. His administration's aggressive actions helped revitalize our semiconductor industry and the iconic Harley Davidson. The Plaza Accords, which raised the value of currencies in Japan and Europe relative to the dollar, had a positive effect in lowering our trade deficits.

IT'S TIME FOR THE WHITE HOUSE TO COMPLETE KEY TRADE AND MANUFACTURING ACTIONS

After a year in office, President Trump has repeatedly promised to crack down on unfair trade and negotiate reciprocal trade agreements. Yet, on many key issues, the administration's words have resulted in either inaction or confusion as to the path forward. A status quo approach means continued persistent trade deficits, lost jobs, theft of our innovation base, and the steady erosion of our manufacturing capacity and workforce.

- *Currency Manipulation.* The President repeatedly promised to label China a currency manipulator. However, China was not listed as a currency manipulator on either of the Treasury Department's first two Semiannual Reports on International Economic and Exchange Rate Policies.
- *Section 232.* The President initiated section 232 investigations on steel and aluminum imports' impact on U.S. national security. However, long and unnecessary delays have made matters even worse as imports continue to surge. I will discuss this issue later in my testimony.
- *Section 301.* The President initiated a section 301 probe into China's intellectual property abuses, though since the August 2017 announcement there has been little movement towards an action that protects American interests.
- *Pipelines.* In January 2017, the President called for a plan to require American pipelines to be constructed with American steel. More than a year later, there has been no action taken as imports of Oil Country Tubular Goods (OCTG)—a key energy product used in oil and gas extraction—were up nearly 200 percent in 2017.

RECOMMENDED ACTIONS FOR THE ADMINISTRATION AND CONGRESS

Outlined below are some of the issues AAM believes need to be addressed for the United States both to expand trade relationships in the Asia-Pacific region in a manner that increases domestic production and to ensure that our markets do not become flooded with unfairly traded products.

- *Trade Enforcement.* America's trade enforcement laws are the backbone of U.S. trade law and represent that last line of defense for workers facing unfair trade. Strict enforcement is vital to the preservation of a rules-based trading system—one in which American workers are not forced to compete against the endless resources of a foreign government that props up its state-run companies. Timely enforcement of U.S. trade remedy laws is vital to lev-

⁶vi Scott, Robert E. "Manufacturing Job Loss: Trade, Not Productivity, Is the Culprit." Economic Policy Institute, August 11, 2015. Web, May 9, 2015.

eling the playing field for U.S. companies and American workers impacted by unfair trade practices—like dumping and subsidies. While our trade remedy laws help mitigate the damage, rarely do they restore all the lost jobs or make an impacted community whole again. Significant time and cost—and injury—is required to proceed with a trade enforcement case. In some cases, entire plants must be shut down before relief can be delivered. This makes no sense. We must ensure that timely and effective relief from such market distortions is available before plants are forced to close and workers lose their jobs.

We greatly appreciate the leadership and work of this committee in the passage of the Trade Facilitation and Trade Enforcement Act of 2015, which provided new tools to speed trade enforcement and to crack down on evasion of existing trade orders. It is simply unfair to U.S. companies and their workers for trade remedies to be circumvented—resulting in further harm and larger trade deficits.

- *Global Industrial Overcapacity.* Many U.S. industrial sectors are suffering from unprecedented challenges due to global overcapacity—largely fueled by China—which dampens prices and has forced plant closures and massive layoffs. Despite slowing demand in the Chinese market, Beijing continues to maintain high levels of production with subsidies and other state support, undermining U.S. companies that compete based on market considerations. In fact, a recent report shows that, despite China's claims of capacity closures in 2016, its net steelmaking capacity actually increased.⁷ China will only respond, and America will only benefit, if there are enforceable mechanisms to ensure that Beijing is living up to its commitments. For the past 10 years, China has delayed concrete action with lofty promises to cut capacity that never materialize. Despite repeated public pronouncements dating back to 2009 of plans to aggressively cut capacity, China's steelmaking capacity has increased over 400 million metric tons, roughly equivalent to five times the total production of the U.S. steel industry in 2016. The G20 Global Forum on Steel Excess Capacity cannot be another tool to be used by the Chinese government to delay meaningful change.
- *Maintain China's Non-Market Economy Status.* No one can seriously claim that Beijing runs a market economy, but the Chinese government desperately wants to be treated that way. Under U.S. law, China is and should continue to be treated as a non-market economy (NME). Any change to this status would severely undermine America's trade remedy laws and expose U.S. companies and American workers to more dumped imports. Such changes can only be made if China meets six specific criteria demonstrating that market forces, and not the government's party leadership, are directing the economy. Presently, China fails to meet the six criteria and it should focus on reforms rather than its attempts to shortcut this issue by way of the World Trade Organization (WTO).
- *Cyber-Theft.* It is critical that the government provide support when foreign interests steal trade secrets to manufacture products abroad and send them to the United States. Theft of intellectual property and trade secrets has been a serious problem with China. U.S. companies report that Chinese interests have not only stolen sensitive trade secrets, but that Chinese firms are now commercializing that valuable intellectual property into Chinese products. It is outrageous that U.S. companies are being forced to compete against the very products that they spent years and significant financial resources to develop. If the available trade enforcement tools—including section 337 of the Tariff Act of 1930—do not work as intended, Congress should improve them so that our companies are not subjected to dishonest and criminal activity without the opportunity to seek effective and timely relief. And, the President should swiftly complete his section 301 investigation and take meaningful action to defend domestic companies against foreign theft of intellectual property and technology transfer.
- *State-Owned Companies.* China has many state-owned and state-directed enterprises (SOEs) that send dumped and subsidized goods into the U.S. market. In a disturbing trend, China's SOEs are also now aggressively seeking to invest here in America, putting further strain on U.S. firms that make de-

⁷Wong, Edward. "Greenpeace Links Beijing's Air Pollution Surge to Steel Factories." *New York Times*, February 16, 2017. Web, May 10, 2017.

cisions based on market forces. It is vital that we strengthen our CFIUS system of reviewing foreign acquisitions of strategic U.S. companies and operations so that they do not fall under the control of the Chinese government.

- *Currency Manipulation.* China, Japan, South Korea, and other major trading partners have a long history of currency manipulation, which contributed to the loss of 5 million U.S. jobs.⁸ Despite claims that the yuan is no longer undervalued, there is ample evidence that Beijing continues to play an active, daily role in setting exchange rates. We urge the passage of legislation to treat foreign currency manipulation as a subsidy under trade remedy laws. And, we support the inclusion of strong, enforceable rules in trade agreements to deter and penalize currency manipulation. We will also be closely watching as the administration prepares to release yet another Semiannual Report on International Economic and Exchange Rate Policies, due by April 15th.
- *Automobiles and Rules of Origin in Trade Agreements.* A trade agreement's rules of origin determine the national source of a product. This is important because only those countries bearing the risks and responsibilities of signing an agreement should obtain its benefits. We believe the rule of origin on automobiles in NAFTA and other trade agreements should be strengthened, so that workers in signatory countries can enjoy more of the benefits, while minimizing the advantages of non-participating countries. In the context of the NAFTA negotiations, automobiles and auto parts from countries such as Japan, South Korea, and China, all of which heavily protect their own industries, should not be permitted to displace North American production through rules of origin that are set too low. As it relates to KORUS, more work must be done to open the Korean market—one of the most difficult for our automakers to export into despite the signing of a trade agreement intended to open the market.

IT'S TIME TO ACT ON THE SECTION 232 INVESTIGATION

Last, but certainly not least, I want to focus your attention to the pending section 232 investigations on the impact of steel and aluminum imports on U.S. national security. In April 2017, President Trump directed the Department of Commerce to complete these self-initiated investigations under an expedited timeline, saying, "Maintaining the production of American steel is extremely important to our national security and our defense industrial base. Steel is critical to both our economy and our military. This is not an area where we can afford to become dependent on foreign countries." In late-May 2017, the administration said the reports would be released in June and, just days later, the President himself publicly said the 232 reports would be coming "very soon" and that "we're going to stop the dumping." In early June, President Trump added, "Wait until you see what I'm going to do for steel and for your steel companies. . . . We're going to stop the dumping, and stop all of these wonderful other countries from coming in and killing our companies and our workers. You'll be seeing that very soon. The steel folks are going to be very happy."

Despite those assurances, months passed without a clear understanding of when the investigations would be completed. American workers were told that the administration needed to complete tax reform and other legislative priorities before it could again focus on the section 232 investigations. All the while, the import problem has been worsening for American workers and U.S. companies. Steel imports soared 21 percent in the 3 months after President Trump announced the section 232 investigation compared to the 3 months before. Overall, total steel imports were up 15.4 percent in 2017.⁹

We recently received the painful news that several steel mills in Pennsylvania would be reducing operations, including one that produces armor plate for the U.S. military and played an important role in supporting the production of armored vehicles to protect our service men and women from IED attacks in Iraq and Afghanistan.¹⁰ Meanwhile, the United States is now down to a single manufacturer of the steel needed for America's essential electric grid—grain-oriented electrical steel (GOES). Unfortunately, there are no shortage of threats—both natural and man-

⁸Peterson Institute for International Economics.

⁹"Steel Imports Up 15 Percent in 2017." American Iron and Steel Institute, January 26, 2018. Web, February 12, 2018.

¹⁰http://chestertontribune.com/Business/arcelormittal_closing_part_of_pa.htm.

made—that could damage or destroy this critical infrastructure. Already reduced to just one domestic producer of GOES, electrical steel imports increased by 101 percent in 2017. But, it’s not just a China problem. Electrical steel imports from Japan, China, and South Korea are up a staggering 156 to 269 percent. Without broad action to prevent the loss of this domestic production capability, the United States would be entirely dependent upon foreign suppliers.

Our national security rests on a healthy industrial base. Domestic production of steel and aluminum are vital in the manufacture of America’s military and critical infrastructure, including everything from ships and tanks to bridges and energy infrastructure. If domestic manufacturing capabilities deteriorate further, we may be forced to rely on countries like China and Russia to supply steel for our military and critical infrastructure needs. We cannot let that happen.

The President now has up to 90 days to determine what precise action to take. But, there’s absolutely no reason to take that long. He should take bold action today to protect our national security and American jobs.

AMERICAN-MADE INFRASTRUCTURE INVESTMENT

Federal investment in infrastructure is critical to a well-functioning economy and our national competitiveness. U.S. manufacturers benefit from infrastructure investments not just because they generate new demand for steel, but also because an efficient infrastructure network improves their ability to bring goods to market. We desperately need to identify solutions to the funding challenges that stand in the way of addressing the backlog of repairs to our Nation’s highways, water systems, and other critical infrastructure. According to a Duke University report entitled *Infrastructure Investment Creates American Jobs*, America has 156,000 deficient bridges, an investment backlog of \$85.9 billion for our Nation’s roads, and \$200 billion in lost economic activity annually from inefficient rail transportation.

Too often the focus of infrastructure has been on “shovel ready” projects, which unfortunately has meant that larger projects that are essential to our steel sector have not moved forward. A prime example is the Soo Locks system that allows ships to move between Lake Superior and the rest of the Great Lakes. The larger of the two locks, the Poe Lock, is nearly 50 years old and the only lock that can accommodate larger vessels that make up almost 70 percent of the potential capacity of the Great Lakes fleet. A recent report by the Department of Homeland Security found that if the Poe lock were to shut down for 6 months, the Nation would experience economic hardship as mines and steel mills experienced supply chain disruptions, causing a ripple effect throughout the manufacturing sector that could impact as many as 11 million workers. Depending on when such a failure occurred, as much as 75 percent of U.S. steel output could go offline in a matter of weeks. Building a second Poe-sized lock would cost \$580 million, but would spur \$1.7 billion in economic activity.

STRONG BUY AMERICA POLICIES CREATE JOBS HERE AT HOME

Buy America policies are procurement preferences for iron, steel, and manufactured goods that are “produced in the United States.” These preferences apply to Federal infrastructure programs, ensuring that U.S. companies and American workers have the first opportunity to supply the materials used to build our highways, rail, airports, water systems, and other critical infrastructure. Strong Buy America laws maximize the return on the Nation’s investment in our infrastructure and are consistent with our international obligations.

I want to offer several recommendations as Congress moves closer to a debate on infrastructure:

- *Include Buy America in the infrastructure package.* As Congress looks to funding solutions, it is necessary to ensure that new funding mechanisms—including public-private partnerships or other new innovative financing tools—are covered with strong Buy America rules. Despite his frequent campaign rhetoric on the issue, we were disappointed to see that President Trump’s recently released infrastructure plan made no mention of Buy America. In fact, it goes in the completely opposite direction, proposing to weaken existing applications, resulting in tax dollars going overseas to purchase foreign steel for our infrastructure needs.
- *Apply Buy America where it doesn’t exist.* There are many infrastructure spending programs that are not covered by a Buy America preference. We support a top-to-bottom review of all infrastructure spending programs and

enacting Buy America laws where they are absent. An example of this is the Drinking Water State Revolving Fund (DWSRF), which is covered by a temporary Buy America provision. Without action to make this provision permanent, our Nation's drinking water infrastructure investments will be open to steel and iron from China and other countries. We cannot let this happen.

- *Close loopholes and improve existing laws.* We should also work to close loopholes, strengthen weak agency enforcement, and reduce the number of unnecessary waivers granted. Bipartisan support in recent transportation bills resulted in language to prevent project segmentation and increase transparency of the waiver process.
- *Reject efforts to weaken Buy America by supporting the "Melted and Poured" standard.* For 35 years, the foundation of our Buy America laws has been the requirement that all steel manufacturing processes occur in the United States for a product to be Buy America compliant—from the actual steel production to the finishing processes. Regrettably, a few companies whose business model focuses on importing foreign steel are aggressively lobbying to create a massive Buy America loophole that would allow steel from Russia, China, or other foreign sources to qualify as "produced in the United States." This massive outsourcing loophole should be rejected outright. Steel is made here only if it is melted here.

NO MORE OUTSOURCED INFRASTRUCTURE PROJECTS

I want to highlight several high-profile infrastructure projects that have found ways to evade Federal Buy America laws. In each case, public resources bypassed U.S. companies and American workers and, instead, supported jobs in China and other foreign countries.

- *San Francisco-Oakland Bay Bridge.* Completed in 2013, California State officials used clever accounting gimmicks to bypass Federal Buy America laws for the construction of the Bay Bridge. They thought that using Chinese steel would net them \$400 million in savings to the overall project. Rather, the project was plagued with quality issues and cost overruns, all while thousands of jobs were created in China instead of here in the United States. The project was a decade behind schedule and nearly \$4 billion over budget.
- *Verrazano-Narrows Bridge.* In 2013, New York State officials decided to source 15,000 tons of steel, including the fabrication work, from China for the bridge deck replacement at the Verrazano-Narrows Bridge. In shocking fashion, the Metropolitan Transportation Authority (MTA) awarded the contract to a Chinese state-owned company that had never done such work. MTA used a very specific fabrication design, called orthotropic decking, and used it as an excuse to bypass U.S. companies and workers ready to rebuild the bridge.
- *LaGuardia Airport.* Early last year, it was reported that Chinese and other foreign-origin steel is being used in the \$4-billion LaGuardia Airport renovation. While the project does not appear to be covered by a Federal Buy America law, it is notable that the Port Authority of NY and NJ has received \$76 million in Federal FAA grants for improvements at LaGuardia in just the last 10 years. These funds require U.S.-melted steel to be used. And, the Port Authority will finance the LaGuardia project with \$1 billion in Passenger Facility Charges (PFCs).

CONCLUSION

Thank you for the opportunity to testify today. We look forward to working with you to advance policies that will revitalize America's manufacturing sector—a major economic driver, foundation of U.S. national security, and source for millions of family-sustaining jobs. Together, we can Keep It Made in America.

PREPARED STATEMENT OF TODD YOUNG, MANAGING DIRECTOR,
GOVERNMENT AFFAIRS, UNITED STATES STEEL CORPORATION

Thank you for conducting today's hearing in western Pennsylvania and inviting testimony from United States Steel Corporation, which is proudly headquartered in Pittsburgh, still known far and wide as The Steel City. Senator Casey's leadership in convening this forum on trade law enforcement and improving America's infra-

structure is very much appreciated. Both of these topics are public policy priorities for America's steelmakers.

U.S. Steel was founded in 1901 and is the largest integrated steel producer headquartered in the United States, with domestic annual raw steelmaking capability of 17 million net tons. U.S. Steel manufactures semi-finished steel as well as a wide range of value-added flat-rolled and tubular products for the automotive, appliance, container, industrial machinery, construction, and oil and gas industries. Our major domestic steel operations are located in the Commonwealth of Pennsylvania, home to our Mon Valley Works, comprised of the Edgar Thomson, Irvin and Clairton plants east of Pittsburgh, and the Fairless Plant near Philadelphia; in the State of Indiana, with our Gary Works in Gary, our Midwest Plant in Portage, and tin operations in East Chicago; in the State of Michigan, with our Great Lakes Works located in Ecorse and River Rouge near Detroit; and in the State of Illinois, at our Granite City Works east of St. Louis, MO. Our tubular operations are located in: Fairfield, AL; Lorain, OH; Pine Bluff, AR; and multiple locations near Houston, TX. Our two iron ore operations in Minnesota are located in Mt. Iron and Keewatin. These mines supply iron ore pellets to all our steelmaking operations, as well as to third parties. U.S. Steel is also involved in several steel finishing joint ventures in the United States.

U.S. Steel is a leader in both process and product technology and has three domestic research and development facilities dedicated to advancing the boundaries of steelmaking: the Research and Technology Center in Munhall, PA; the Automotive Center, a research and sales facility in Troy, MI; and the U.S. Steel Tubular Products Innovation and Technology Center in Houston, TX.

TRADE ENFORCEMENT

Over the past several years, America's steel companies and workers have been challenged by significant, persistent unfairly traded imports flooding our markets. Steel at dumped prices and subsidized by foreign governments targets our open markets. As a result, many American steel-making facilities have been forced to shutdown temporarily or even permanently causing thousands of hard-working, highly skilled Americans to lose their jobs. American steel companies can compete and win against any other producers around the world on a level playing field—yet that requires fair enforcement of our trade laws and strong, prompt action by the Federal Government.

We commend Congress on passing the 2015 Leveling the Playing Field Act, which significantly strengthened U.S. trade remedy law by clarifying the injury standard for the International Trade Commission in antidumping and countervailing duty—or AD/CVD—cases and providing the Commerce Department with additional tools to address dumped and subsidized imports. This strengthening of the trade law was the result of forceful, bipartisan leadership by steel champions in both the House and Senate.

Passed by Congress a few months later yet effectively in tandem with the Level the Playing Field Act, we applauded enactment of the 2016 Trade Facilitation and Trade Enforcement Act, especially the Enforce and Protect Act contained therein which provided U.S. Customs with new tools and directives to aggressively enforce U.S. trade remedy orders and crack down on duty evasion and customs fraud. It was critical that this second law followed as AD/CVD orders only level the playing field if they are strictly and effectively enforced.

U.S. Steel and other domestic producers moved swiftly in utilizing these new laws by filing a series of new AD/CVD petitions on a flood of unfairly traded imports of hot-rolled, cold-rolled, and corrosion-resistant steel from 12 countries in the summer of 2015. Solely through subsidies and rock-bottom prices—many times below the cost of production—these imports captured significant U.S. market share at the direct expense of American steel mills and workers. As a result of those investigations, however, and due in large part to the new laws, the domestic steel industry was able to obtain 28 new AD/CVD orders on 11 countries,¹ many with commercially meaningful duties. This provided U.S. Steel and American producers with critical relief.

¹ Hot rolled—Australia, Brazil, Japan, Korea, Netherlands, Turkey, and UK; cold-rolled—Brazil, China, India, Korea, Netherlands, and UK (*negative on Russia); and corrosion-resistant—China, India, Italy, Korea, and Taiwan.

Though these recent flat-rolled orders stemmed the tide of unfairly traded imports from the targeted countries, an all-too-familiar story unfolded—low-priced imports surged in from other countries not covered by U.S. AD/CVD orders.

For example, even before the orders were in place, imports of cold-rolled and corrosion-resistant steel from Vietnam replaced imports from China nearly ton-for-ton. As a result, U.S. Steel and other domestic producers filed circumvention petitions with the Commerce Department in September 2016, arguing that U.S. imports of Chinese steel finished in Vietnam should be covered by the AD/CVD orders on imports from China. The Commerce Department's December 2017 preliminary affirmative circumvention finding represents a critical step toward shutting down one of the many paths used to flood the U.S. with dumped and subsidized steel. This decision is an encouraging sign for the steel industry and should put other countries and foreign producers on notice that circumvention will no longer be tolerated.

The job is far from done, however. Our trade laws simply take too long to provide relief from unfairly traded imports, and by the time relief often comes, foreign steel companies have moved locations and/or devised sophisticated plans to evade or circumvent any relief.

For example, in 2014 we obtained AD/CVD orders on oil country tubular goods—or OCTG—from Korea and have obtained higher and higher AD duty rates in each administrative review. Dumped OCTG imports from Korea, however, have continued to surge into our market due to, among other things, subsidized steel and electricity and Korean government-directed reimbursement of AD duties. These practices not only thwart the remedial purpose of U.S. antidumping law, but they also threaten the U.S. OCTG industry, which is integral for the development of U.S. energy resources and infrastructure (including petroleum refineries, oil and gas pipelines, off-shore rigs, and storage tanks). America cannot achieve national energy security and independence if our ability to harness our own abundant resources becomes reliant on foreign steel from unstable regions of the world.

In addition to the reliance on American steel of critical infrastructure and energy independence, the U.S. military relies on steel to protect our troops in conventional and unconventional wars, from armor for tanks, ships, and submarines to engines, gears, bearings, and bodies of the F-35 Joint Strike Fighter and other aircraft. When called upon during World War II, U.S. Steel produced, among other things, 90 percent of the steel used to make over 21 million helmets. And we invented the landing mat, to project our airpower wherever and whenever required. Today, U.S. Steel produces the hot-rolled steel that Stupp Corporation uses to produce Mk82, Mk83, and Mk84 bomb bodies for the Department of Defense.

Our national security is only as strong as our country's ability to produce steel from beginning to end within our Nation. That is why we urge President Trump to complete the section 232 national security investigation of steel imports initiated last April. The unrelenting and growing barrage of unfairly traded steel entering our market leaves no doubt that imports are threatening our national security. The law provides the President with broad power to implement remedies under section 232, and we believe the threat posed to America's steelmaking capacity merits aggressive action by President Trump. The needed remedy must be comprehensive and broad-based, covering the full range of steel products—including semi-finished products such as slab—and all producing countries, with only limited exceptions for products not currently available in the United States. Comprehensive section 232 remedies would allow American steel producers to restart idled capacity, rehire thousands of steelworkers, and significantly strengthen our economy, steel industrial base, and national security.

Significant progress has been made on strengthening trade enforcement and utilizing new and little-used enforcement tools. We look forward to continuing to work with Congress and the administration to further strengthen U.S. trade law enforcement so that no more American steel mills are shuttered, no more American steelworkers are laid off, and the American steel industrial base and national security are no longer threatened by unfairly traded imports or foreign governments.

INFRASTRUCTURE

For a steel maker, investment in infrastructure is both a necessity and an opportunity. Efficient, reliable transportation directly impacts both our ability to move millions of tons of raw materials and finished product, and our overall competitiveness as a company and industry. Long-term investment to improve our transportation, water, energy, and other critical infrastructure also creates direct demand

for steel and enables broad economic growth and job creation that further drives steel demand in more consumer-oriented markets like appliances, cars and trucks, and more.

As the national discussion on how best to invest in infrastructure advances, we encourage a focus on three priorities: increased, long-term investment; project streamlining; and maintaining the commitment to Buy America. Long-term funding is essential to undertaking the large-scale projects needed to modernize and expand our transportation infrastructure. In addition, responsible regulatory reform that significantly shortens the permitting and approval process for project delivery will lower costs and deliver results sooner to system users. As we invest in America, there must also be an expanded commitment to the long-standing principle that the iron and steel used to rebuild our Nation's infrastructure should be produced—melted and poured—in the United States.

We sincerely appreciate the opportunity to join today's hearing and to provide perspective to the subcommittee on two priorities of fundamental importance to U.S. Steel and our country. We stand ready to support and assist your important work.

